
KEY TERMS IN FINANCE, BANKING, ACCOUNTING AND AUDIT

**Ключові терміни в системі фінансів,
банківської справи, обліку та аудиту**

**ДОВІДНИК
з ділової англійської мови**

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Рецензенти:

Швачко С.О., доктор філологічних наук, професор, завідувач кафедри теорії та практики перекладу Сумського державного університету;

Школяренко В.І., доктор філологічних наук, професор, завідувач кафедри германської філології Інституту філології Сумського державного педагогічного університету ім. А.С.Макаренка;

Сало І.В., доктор економічних наук, професор кафедри банківської справи ДВНЗ «Українська академія банківської справи Національного банку України»

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Автори:

Андрейко Л.В., кандидат філологічних наук, доцент кафедри іноземних мов ДВНЗ «УАБС НБУ»;

Бокун І.А., кандидат філологічних наук, доцент кафедри іноземних мов ДВНЗ «УАБС НБУ»;

Козловська Г.Б., кандидат філологічних наук, доцент кафедри іноземних мов ДВНЗ «УАБС НБУ»;

Ходцева А.О., кандидат педагогічних наук, доцент кафедри іноземних мов ДВНЗ «УАБС НБУ».

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Довідник містить найбільш уживану термінологічну лексику в системі фінансів, банківської справи, обліку і аудиту та вправи для самостійної перевірки знань ключових економічних термінів.

Для студентів, які вивчають ділову англійську мову у вищих навчальних закладах та широкого загалу бажаючих вдосконалювати професійну комунікативну компетенцію для подальшої інтеграції у світовий економічний простір.

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Preface

The intention of our country to become an equal partner within the Bologna Process framework sets challenging tasks in terms of greater mobility for students, more effective international communication, better access to information and deeper mutual understanding. Therefore the level of professional education highly integrates language skills into the content of a particular specialism and the demand for English as an essential element in generic job-related skills in a variety of professional areas and situations has exploded in recent years.

The national policy of ESP (English for Specific Purposes) teaching, learning and assessment in Ukraine is undergoing changes in line with the European and national standards. One of the emphases in this field is to reduce the gap between the target situation (employment market) needs and existing proficiency of learners. The ESP courses, which we run are designed to meet students' needs, employers' expectations and national qualification levels of achievement (Education and Qualification Standards and Educational Professional Programme). The necessity of writing this resource guide has derived from the overall aim of ESP syllabus for students majoring in economics and business and objectives of the module 'Reading for professional purposes'. Practically all learners of Business English need to be equipped with a wide range of vocabulary to give them confidence to deal with any difficulties they may encounter while reading authentic texts in their professional area. As we aim to encourage students' life-long learning and autonomy and engage them in reflection and self-assessment, and thus enable them to assume responsibility for their own performance, we can not follow any existing course book systematically and try to create these teaching materials relevant to the professional needs of students and to societal expectations.

In order to analyse current target situation needs, a focus group of professionals working in banking, finance and accounting have

been asked to select the vocabulary they use most in their professional areas. Another focus group of major subject teachers and post-graduate students have been also asked to choose basic concepts and key terms used in their specialisms. The terms then have been grouped according to the topic areas and supplemented with examples and collocations.

The book is divided into three sections: finance, banking and accounting. Each section deals with the very latest business specific vocabulary and frequently used expressions in the field followed by relevant practice exercisers so that learners can check their knowledge of new concepts and terms in a structured and systematic way. The book can be used to consolidate the vocabulary students have already acquired, to help them start using words that they recognize but rarely use, and to build up a wide range of new business words. Learners can either work through the book from the beginning in order to systematically develop their knowledge of meaning and usage or select sections that relate to a particular topic of their interests or needs.

The materials can be used as a part of a language course for students majoring in economics and business or as a handy reference for self-study. The book will also be a useful source of information for teachers who need to run courses in Business English.

1. FINANCE

1.1. Introducing Finance

1.1.1. Finance description

Finance n 1 [U] *BrE* (written abbreviation **Fin** also **fin**) money provided or lent, for example by a bank for investment or consumption (when people buy goods and services): *The building society is Scotland's biggest source of finance for house building.*

2 [U] the management of money by countries, organisations, and people: *The appointment of a top finance executive as vice chairman suggests that finance will play a prominent role in the company's future.*

3 [U] the study of the management and use of money: *He is professor of finance at Wharton Business School.*

Collocations:

- **cheap finance** money borrowed at low interest;
- **necessary finance**;
- **additional/ extra/ further finance**;
- **long-term/ medium-term/ short-term finance**;
- **independent finance**;
- **external/ outside finance**;
- **international finance**;
- **private (sector) finance**;
- **public (sector) finance**;
- **bridge/ bridging finance** an arrangement to borrow money for a short time until you can make more long term financial arrangements: *You may require bridging finance until the sale of your own property is completed;*
- **capital finance**;
- **bank finance** bank loans: *The availability of bank finance for small businesses is great in this country;*
- **to get/ obtain/ raise finance**: *She struggled to get the necessary finance for her training;*
- **to allocate/ arrange/ provide finance**;
- **to need/ require finance**: *The European Investment Bank would provide finance for a range of activities including regional development activity;*

- **finance sector:** *The banking and finance sector was booming;*
- **finance director/ minister/ officer:** *Local government finance officers found the tax very difficult to administer. Russia's finance minister said he expects the ruble to stabilise soon;*
- **finance committee/ department;**
- **a source of finance.**

Finances *n* [plural] the money that an organisation or person has, and the way that they manage it: *Italian state finances are about the worst of any major world economy. The television network hired McKinsey to conduct an overall strategic review of its structure, operations and finances.*

Collocations:

- **healthy/ sound finances:** *Our family finances are not very healthy at the moment;*
- **shaky finances:** *The company's finances are looking a bit shaky;*
- **company finances;**
- **government/ public/ state finances;**
- **family/ household/ personal/ private finances;**
- **to have finances:** *We don't have the finances to go on holiday this year;*
- **to lack finances;**
- **to raise finances:** *They are not sure how they will raise the finances to go on the trip;*
- **to deal with/ handle/ manage/ plan/ run finances:** *Today the topic of our discussion is 'How to plan your finances for a comfortable retirement';*
- **to get/ keep finances in order:** *The company was under pressure to get its finances in order;*
- **to boost/ improve finances;**
- **to be a drain on finances/ put a strain on finances/ strain finances/ stretch finances:** *Buying a new car need not put a strain on your finances;*
- **finances are in a mess:** *Their finances are in a mess: they plan to call in an accountant;*
- **the state of sb's finances.**

Finance *v* [T] to give or lend money, especially a large amount of money, to pay for something: *The new roads will be financed privately. This project will be financed jointly by the British and French governments.*

Financier *n* [C] **1** a person or organisation that provides money for investment: *The firm has a value only if it is earning more than its cost of capital; otherwise, the financiers should have put their money elsewhere.*

2 someone who works in a financial institution and is responsible for particular investments: *A successful corporate financier (one who arranges investments in companies) needs to be more commercial, more extrovert and more ambitious than the average number cruncher.*

3 a person who controls large sums of money and investments: *The Hong-Kong based financier bought a controlling stake in the city's main fixed-line telecoms operator for \$1.2bn.*

Financing *n* [U] the money provided for an investment, and the arrangements for providing it: *He said he hadn't carefully considered the project's financing. An equity offering is the most important part of the company's financing plan.*

Collocations:

- **financing package** a set of different forms of financing: *They put together a financing package to back their takeover bid for the high-street chain;*
- **financing plan:** *An equity offering is the most important part of the company's financing plan.*

Refinance *v* [T] to replace one loan with another one, usually at a lower rate of interest: *Many fixed-rate mortgages are now being refinanced at interest rates of around 8%.*

Refinancing *n* [C, U]: *The troubled DIY group has been in talks with its bankers arranging a refinancing of the \$553 million loan taken out at the time of the management buy-out.*

Financial *adj* related to or involving finance or money: *The law bars financial transactions between American corporations and countries accused of supporting terrorism.*

Collocations:

- **financial accounting;**
- **financial accounts;**
- **financial analysis;**
- **financial books;**
- **financial centre;**

- **financial engineering** *n* [U] arranging finances and investments in a clever, profitable, and sometimes slightly dishonest way: *How long can they expect earnings grow if sales are flat, no matter how clever the financial engineering?;*
- **financial futures;**
- **financial indicator;**
- **financial institution;**
- **financial instrument;**
- **financial intermediary** *n* [C] a financial institution such as a bank, insurance company that uses the money of investors to lend to borrowers: *Personal pensions are available through financial intermediaries such as insurance companies, friendly societies, banks and building societies;*
- **financial investment;**
- **financial leverage;**
- **financial market;**
- **financial obligations;**
- **financial planning;**
- **financial product** *n* [C] a particular type of investment: *Investors often find financial products increasingly complex and seek advice on how to buy and sell them;*
- **financial ratio;**
- **financial reporting;**
- **financial services** *n* [plural] the business activity of giving advice about investments and selling investments to people and organisations: *Banks have been moving into other areas of the financial services industry such as stock broking, securities underwriting, and insurance;*
- **financial standing** *n* [U] financial position or rank in a system, organisation, society based on people's opinion: *There has been a sharp turnaround in the country's international financial standing;*
- **financial statement;**
- **financial structure;**
- **Financial Times** (written abbreviation **FT**) *n* trademark an important financial newspaper based in London, with editions in Europe, Asia, and North America;
- **financial year.**

Financials *n* [plural] stocks and shares in financial companies: *Financials began firmly but did not continue strongly.*

1.1.2. Key terms in financial planning

Break-even point n [C] the level of sales at which the income from goods sold is just enough to cover the costs of production so that neither a profit nor a loss is being made: *The service's break-even point is around 3,500 subscribers.*

Core business (also **core activity**, also **core product**) n [C] the business, activity that makes the most money for a company and that is considered to be its most important and central one: *US car maker Chrysler is to sell off its \$1 billion technology arm to concentrate resources on its core business.*

Cost of sales (also **cost of goods sold**) n [U] the total variable costs (costs of materials, workers) of goods sold in a particular period of time, before other costs are taken into account: *Cost of goods sold dropped sharply when Microsoft switched most of the software it sells from magnetic disks to CD-Rom.*

Expenditure n [C, U] the total amount of money that a government, organisation, or person spends during a particular period of time: *An advertiser rarely knows what its return on investment in advertising expenditure is.*

Expense n [C, U] an amount of money that a business or organisation has to spend on something: *Most advertisers look upon advertising as an expense and not an investment, which is a mistake. The company's cost-cutting program is expected to reduce expenses by \$25 million next year.*

Financial analysis n [plural] **financial analyses** [C, U] analysis of the financial state of a company: *Decisions about where we invest the stockholders' money will be based on financial analysis.*

Forecast n [C] a description of what is likely to happen in the future, based on information that is available now: *Economic forecasts are widely used by policy makers. He has cut his full-year profit forecast from \$235 million to \$210 million. This company has a gloomy sales forecast.*

Gross profit (also **gross profit margin**) n [C] the difference between the price that a product or service is sold for and the cost of producing it, without including overheads: *The company needed a gross margin of around 40% to make a reasonable profit.*

Net margin (also **net profit margin**) *n* [C] the difference between the price that a product or service is sold for and the cost of producing it, including overheads: *The company's net margin neared 28%, making it one of the nation's most profitable industrial companies.*

Overhead *n* [C, U] a company's general costs for activities not related to particular products: *Such costs count as an overhead of the business, and VAT on them is deductible.*

Profitability *n* [U] the state of producing a profit, or the degree to which an activity, company is profitable: *Earnings were helped by improved profitability in the fashions division.*

Revenue (also **revenues**) *n* [U] money that a business or organisation receives over a period of time, especially from selling goods or services: *The company has an annual revenue of about of about \$2 million. Our company had a 15% fall in revenue from sales last year. We earn about £3000 a month in advertising revenue but we are planning to have more.*

Selling cost *n* [C usually plural] the amount of money related to getting someone to buy a product: *I'd like to pay your attention to the selling costs of our company for the last two months.*

Setup cost (also **startup cost**) *n* [C usually plural] the amount of money needed to start a new business, project: *Setup costs for a program to recycle paper can be repaid in a few months by sales.*

Turnover *n* [singular, U] the total amount of business done in a given time: *The annual turnover of this enterprise is constantly increasing.*

1.1.3. Who's who in finance

Financial adviser (also **financial advisor** *AmE*) *n* [C] someone who advises people on how to manage their financial affairs

Financial analyst *n* [C] someone who does financial analysis (analysis of the financial state of a company or person)

Finance director *n* [C] someone who is responsible for the financial side of running a business

Fund manager *n* [C] someone whose job is to manage a particular type of investment for a financial institution or its clients; also

investment manager: *A fund manager who holds lots of equities may want to sell right now.*

Investment manager (also **money manager**) *n* [C] someone whose job is to manage investments for a financial institution or its clients; also **fund manager:** *If the investment manager picks the right mix of bonds, his total return should rise quickly.*

Portfolio manager *n* [C] an investment manager with a group of different types of investments, who tries to balance the risks and profits of each in relation to the rest

Trader *n* [C] someone who deals in shares, bonds, currencies, commodities (oil, metal, farm products) on a market either for themselves or for a financial institution: *To the surprise of many traders, the dollar rose in European markets.*

Trading manager *n* [C] a manager who is in charge of the people who buy and sell investments at a financial institution

Transfer agent *n* [C] someone whose job is to keep a list of all the people owning shares in a company, and who makes the necessary changes if the shares are sold to someone else

1.1.4. What's what in finance

Asset *n* [C] something belonging to an individual or a business that has value or the power to earn money: *The company has a tremendous asset – 50 hectares of real estate right next to an international airport.*

Bank *n* [C] an institution for receiving, lending, exchanging, and safeguarding money and, in some cases, issuing notes and transacting other financial business: *Investors lost millions when the bank crashed.*

Bankruptcy *n* [plural] **bankruptcies** [C, U] when someone is judged to be unable to pay their debts by a court of law, and their assets are shared among the people and businesses that they owe money to: *Many state-operated companies had experienced difficulties and some had faced bankruptcy.*

Budget *n* [C] the money that is available to an organisation or person, or a plan of how it will be spent: *Nearly two-thirds of the total budget is used to pay for staff.*

Cash flow *n* [U] the movement of money coming into a business as income and going out as wages, material: *The business has severe cash flow problems.*

Debt *n* [C] a sum of money that a person or organisation owes: *The company has debts of around \$1,000,000.*

Dividend (written abbreviation **d**) *n* [C] a prorated share in an amount to be distributed; a sum of money paid to shareholders of a corporation out of earnings: *The company has not declared its dividends for this year yet.*

Inflation *n* [U] a continuing increase in the prices of goods and services, or the rate at which prices increase: *The inflation rate rose to 4.5% last month.*

Interest rate *n* [C] the percentage amount charged by a bank when you borrow money, or paid to you by a bank when you keep money in an account there: *Interest rates fluctuate from day to day.*

Liability *n* plural **liabilities** [C usually plural] an amount of money owed by a business or a supplier, lender: *In its bankruptcy filing, the company listed liabilities of \$363.7 million and assets of \$141.3 million.*

Liquidation *BrE n* [U] if a company goes into liquidation, it closes and everything it owns is sold in order to pay its debts: *A number of companies were forced into liquidation during the recession.*

Loss *n* [C] when a business spends more money than it receives in a particular period of time, or loses money in some other way: *The toy company blamed the losses on poor retail sales. The company made a loss of \$500,000 two years ago.*

Mortgage *n* [C] a legal arrangement where you borrow money from a financial institution in order to buy land or a house, and you pay back the money over a period of years. If you do not make your regular payments, the lender normally has the right to take the property and sell it in order to get back their money: *He arranged a 30-year mortgage at 7% for the five-bedroom house.*

Pension *n* [C] an amount of money paid regularly by a government, company, or financial institution to someone who is officially considered to be too old or too ill to earn money by working: *She lives on her pension and her savings.*

Profit *n* [C, U] money resulting from the employment of capital in any transaction: *To my mind, this company is interested in making a quick profit.*

Receivership *n* [U] when a business is controlled by an official receiver because it has no money: *The company went into receivership with massive debts.*

Share *n* [C] one of the parts into which ownership of a company is divided: *All our employees are encouraged to buy shares in the company.*

Tax *n* [C, U] a sum of money demanded by a government for its support or for specific facilities or services, levied upon incomes, property, sales: *It's time to renew your car tax.*

1.1.5. Financial documents

Balance sheet *n* [C] a statement of the financial position of a business on a specified date: *The company balance sheet should be arranged in a proper way.*

Business plan *n* [U] a document produced by a company, especially a new company, giving details of expected sales and costs, and how the business can be financed, and showing why the plan will make money: *To raise the cash they need, managers will be required to give their bankers a three-year business plan. We tried to ensure that the company prepared an adequate business plan.*

Cash budget *n* [C] a financial document that shows cash income and cash spending for a particular period of time: *A cash budget is one of the most important financial documents of any business.*

Contract *n* [C] an agreement to deliver a type of basic goods or material at a particular price and time in the future: *The wheat contract for March delivery rose 8.5 cents a bushel.*

Financial reporting *n* [U] the financial information that companies give about their activities, and the ways that they prepare and show it: *its efforts to increase clarity and dependability in financial reporting.*

Letter of credit (written abbreviation l/c) *n* [plural] **letters of credit** [C] a written promise by a bank that it will repay the bonds to lenders if the borrower is unable to repay them: *The notes are backed by a letter of credit from Morgan Guaranty Trust Co.*

Market report *n* [C] news about a particular financial market: *The first-quarter bond market report held some encouraging news for the long-suffering junk market.*

Share certificate *n* [C] a document that gives the details of the shares in a company owned by a particular shareholder: *Anyone who wants to become a shareholder must be entered on the register and issued with a share certificate.*

1.2. Company as a Business Entity

1.2.1. Company description

Company *n* [plural] **companies** [C] an organisation that makes or sells goods or services in order to make a profit

Collocations:

- **bus/ record/ insurance company;**
- **company director;**
- **company car;**
- **company policy;**
- **company profits;**
- **to create/ establish/ form/ found/ set up/ start (up) a company:** *This international insurance company was founded in 2000;*
- **to manage/ operate/ run a company;**
- **to control a company;**
- **to acquire/ buy/ take over a company;**
- **to dissolve a company;**
- **to downsize a company;**
- **to relocate a company;**
- **to restructure a company;**
- **to work for a company:** *He works for a big pharmaceutical company. She's been working for the same company for 15 years;*
- **to join the company;**
- **to leave the company/ to resign from the company;**

Companies can be:

- **big/ large/ major:** *This large European company is well-known today;*
- **medium-sized/ small:** *The new regulations could have a bad effect on small and medium-sized companies;*

- **fast-growing/ well-established;**
- **highly profitable/ loss-making;**
- **international/ multi-national/ national:** *He has shares in several international companies.*

Companies can:

- **make sth/ produce sth:** *The company produces cotton goods;*
- **expand/ grow;**
- **shrink;**
- **fail/ go bankrupt/ go burst/ go into liquidation/ go out of business:** *During the recession many small companies went out of business.*

Word focus: company vs firm vs business vs corporation

A **company** is an organisation that produces goods or provides a service for profit. A **firm** is a company, especially one that provides a service rather than goods, for example financial or legal services. A **business** is usually a company that employs a small number of people. A **corporation** is a large company, especially one consisting of many smaller companies.

Abbreviations used after company names:

Co. company: *P.A. Figueredo & Co.*

Corp. corporation: *Microsoft Corp.*

Inc. Incorporated (used in the US to show that a company is a corporation): *Apple Computer Inc.*

Ltd limited (used in the UK and Canada to show that a company is a limited (liability) company): *Associated Newspapers Ltd.*

PLC public limited company (a limited company whose shares are bought and sold freely): *Wagner PLC.*

Pty proprietary company (used in Australia and South Africa): *Holster Australia Pty Ltd.*

Word focus: companies and markets

If a company **enters/ penetrates a market** it starts selling there for the first time. If a company **abandons/ leaves/ gets out of a market** it stops selling there. If a company **dominates a market** it is the most important company selling there. If a company **monopolizes a market** it is the only company selling there. If a company **drives**

another company out of a market it makes the other company leave the market, perhaps because it can no longer compete.

Elevator pitch a concise, carefully planned description about your company that your mother could understand in the time it takes to ride up an elevator. A good elevator pitch is less than 60 seconds long.

Things you can say about your company or organisation:

Our company was **founded** (12 years ago).

Our company is **organized into** (3 departments).

Our company **manufactures/produces** car parts and **launches** 6 new products a year.

SFD **merged with** Reid International.

Our **headquarters** are in Oregon. The company's **head office** is **located** in Beaverton.

Our firm has an **excellent reputation** for reliability and good service.

Our company is **expanding** fast.

Our company is **renowned** for (its high manufacturing standards).

Our CEO has a **clear vision** of where the company is going.

Our main **competitors** are two national companies with a wide **range of products**.

Our **competitive advantage** lies in the fact that our **potential market** is enormous.

Our company **promotes itself** as an ethical company and we are looking at ways of **improving our image** as an ethical company.

What makes our company different from other companies is our **corporate values**.

Our company has **decentralized** responsibility and authority.

Our CEO believes in **autonomy**, but she's also keen on **accountability**.

Our **running costs** are low and we are **making a profit** of \$2 on each card sold, which is a **margin** of 50%.

Our company has **sales** of over \$300 million from 400 **outlets**.

Following the bankruptcy of our main **competitor**, we gain our position as **market leader**.

Our **turnover** is increasing by 50% a month and we are expecting to be **profitable** within seven months.

In the first nine months, **revenues** were up 15% to \$1 bn. and our **net income** rose 33 per cent to \$3 bn.

Our **market share** of all meals in restaurants in Britain is 6% .

Our company is **looking for** two million pounds of **investment** to finance marketing in the UK and the US.

1.2.2. Types of companies

Affiliated company (also **related company**, also **subsidiary**) a company owned by another company: *Hino Motor is a truck maker in the Toyota group of affiliated companies.*

Blue chip company (also **blue-chip company**) a well-known, successful company whose shares are a very safe investment: *blue chip companies like Shell, BP and Unilever, which have well-defined, long-term business strategies.*

Close company (also **closed company**, also **closely held company**) in the US, a company that has five or fewer shareholders owning more than half of the stock.

Closed-end investment company (also **closed-ended investment company**) *BrE* an investment company with a fixed number of shares that an investor can only sell to another investor, not back to the company

Commercial company a company that is not a financial institution: *As banks trade in cash, this is not such a simple financial calculation as it is for a commercial company.*

Controlling company a company that owns more than 50% of the shares of another company

Credit company a company that lends money to people of businesses

Daughter company a company that is completely or partly owned by another company

Finance company a financial institution that lends to people or businesses, so that they can buy things such as cars or machinery. Finance companies are often part of commercial banks, but operate independently

Holding company a company that completely or partly owns other companies and may also carry out normal business activities itself: *the state holding company which controls the airline.*

Investment company a company that invests its capital in securities (bonds, shares). The value of the company's shares and dividends depends on the profit made on these investments: *a French investment company with interests in several leading corporations.*

Listed company a large successful company whose shares are traded on the main financial markets

Limited (liability) company (written abbreviation **LLC**) a company where the shareholders will lose only what they have invested if the company goes bankrupt, and will not lose other property that they own

Management company a company that manages financial assets or property for people or businesses

Mutual company a company that has members but no shareholders. Profits from a mutual company are not paid out in dividends but in another form: *its plan to convert from a mutual company owned by its policyholders to a stock-owned company.*

Offshore company a company based outside the country in which it does business, usually for legal or tax reasons

Open-end investment company (also **open-ended investment company**) *BrE* an investment company where new shares are created for new investors and which buys back shares from investors who want to sell: *a proposal to convert the fund from a closed-end to an open-end investment company.*

Parent company a company that owns other companies: *Costs are two thirds lower at Japan Air Charter, a subsidiary that employs foreigners, than at the parent company.*

Private company 1 a company owned by people or other companies, rather than by the government

2 also **privately held company** a company whose shares are not openly traded and can only pass to another person with the agreement of other shareholders

Private limited company a company whose shares are not openly traded and can only pass to another person with the agreement of other shareholders

Proprietary company a form of limited company in Australia and South Africa, with the letters Pty after its name

Public company 1 a company owned by people or other companies, rather than by the government

2 (also publicly held company) a company whose shares are openly traded

Public limited company in Britain, a limited company whose shares are freely sold and traded, with a minimum share capital of J50,000 and the letters PLC after its name

Red chip company (also red-chip company) a Chinese company that is listed on the Hong Kong stock-market

Sister company one of two or more companies that are owned by the same parent company: *We also have at our disposal component repair facilities operated by our sister company.*

Start-up company a company that has just been formed: *We need investment for our start-up company.*

Subsidiary company a company of which more than half is owned by another company: *The group now controls 11 subsidiary companies locally and overseas.*

Trading company a company that sells goods or services rather than one that makes its profit from investing in other companies

Trust company 1 BrE a company that invests people's money for them

2 AmE a company that acts as a trustee (person in charge of a trust) for the property of people who have died, or for property in trust for living people. A trust company may also advise people on investments and invest their money for them.

1.2.3. Company staff

Blue-collar worker n [C] a worker who does physical work, rather than work in management or administration

Clerical staff n [plural] people who work in offices: *Computers have replaced thousands of clerical staff and middle managers.*

Colleague n [C] someone you work with: *They are working on a research project with colleagues from two other universities.*

Co-worker *n* [C] someone who works with you and has a similar position: *The manual explains what to do if a co-worker is injured and in need of medical treatment.*

Employee *n* [C] someone who is paid to work for someone else: *There are 250 employees in our company.*

Freelance (also **freelancer**) *n* [C] someone who works for different companies or organisations rather than being directly employed by one: *The company does not directly employ such specialists as designers, but operates on a freelance basis.*

Full-time *adj* [only before noun] for all the hours of a week during which it is usual for people to work, study: *Many employees try to find a full-time job.*

Grade *n* [C] a particular level of job: *Staff from ethnic minorities were not being promoted beyond junior grades.*

Home worker *n* [C] someone who does their job in their home: *He doesn't work in the office, he is a home worker.*

Junior management *n* [U] managers at lowest level: *In a large organisation, many of the tasks of junior management are routine and boring.*

Middle management *n* [U] managers between senior management and junior management: *Eliminating a layer of middle management, will move the decision-making process closer to the customer.*

Part-time *adj* [only before noun] someone who has a part-time job (works for only part of each day or week): *He has a part-time job, so he works part-time.*

Semi-skilled *adj* needing or having some skills or training: *Many companies don't need semi-skilled or unskilled workers.*

Senior management *n* [U] the most important managers in an organisation: *The company reorganised its senior management to help focus responsibility for operations.*

Skilled worker *n* [C] a worker who does work that involves special skills that they have gained through training: *skilled workers such as electricians.*

Supervisor *n* [C] someone who is in charge of a group of workers of a particular area of work: *Any holidays not already booked should be cleared with your supervisor.*

Telecommuter *n* someone who works at home using a computer connected to a company's main office: *Telecommuters may find themselves working longer hours than their co-workers in the office do.*

Teleworker *n* [C] someone who works from home, and communicates with their employer and co-workers using the Internet, email, telephone, and by fax: *Teleworkers can feel a little isolated sometimes.*

Temporary worker (also **temp**) *n* [C] someone who is employed to work for a short period of time, especially in an office: *He doesn't want to be a temporary worker, he wants to find a full-time job.*

Trainee *n* [C] someone who is being trained for a job: *a management trainee.*

Unskilled worker *n* [C] a worker who does work that does not involve any special skill or training: *Simple, repetitive tasks are performed by unskilled workers under close supervisory control.*

White-collar worker *n* [C] a worker who works in management or administration: *In the past, most white-collar workers expected a long-term stable employment pattern.*

1.2.4. Company organisation

Board *n* [C] (also **board of directors**) the group of people who have been elected to manage a company by those holding shares in the company: *These accounts were approved by the Board of Directors on 15th July last year.*

Chairman of the Board *n* (plural **chairmen**) [C] the person who is in charge of a large company or organisation, especially the most senior member of its board; also **chair**: *Microsoft had been elected chairman of the party's Campaign Committee.*

Chief executive officer (written abbreviation **CEO**) *n* [C] the manager with the most authority in the normal, everyday management of a company. The job of Chief Executive Officer is sometimes combined with other jobs, such as that of **president**: *He is company's chairman, president and Chief Executive Officer.*

Chief accountant the highest-ranking accountant in a large organisation: *The first step is to find a chief accountant for our company.*

Director (also **company director**) *n* [C] **1** one of the committee of top managers who controls a company: *The board of directors are expected to cut the 35-cent quarterly dividend when they meet later this month.*

2 financial/ sales/ personnel/ research and development director someone who is in charge of a particular department of an organisation.

Manager *n* [C] someone whose job is to manage all or part of a company or organisation, or a particular activity: *To be a good manager you need loads of energy.*

President *n* [C] *AmE* the person in charge of a large company, bank: *Sandor Csanyil, the bank's president, said that their objective is to have 200 branches in Romania.*

Vice president (also **vice-president**) *n* [C] *AmE* an officer directly below the president in rank: *After three years as vice-president, he became chief executive officer.*

1.2.5. Company relationships

Acquisition *n* [C, U] when one company buys another one, or part of another one.

Collocations:

- **to complete/ make an acquisition:** *The company has just made another acquisition;*
- **latest/ new/ recent acquisition:** *The group's latest acquisition is a sportswear firm.*

Buy-in *n* [C] when a company buys its own shares from existing shareholders: *A buy-in has the advantage of removing small shareholders and frees the parent company to run the unit.*

Merge *v* [I, T] if two or more companies, organisations merge, or if they are merged, they join together: *The companies will merge their cellular phone operations, forming one of the nation's largest regional systems.*

Merger *n* [C] a combination of two or more business enterprises into a single enterprise: *If the merger goes through, thousands of jobs will be lost.*

Collocations:

- **proposed merger;**
- **to plan merger;**
- **to carry out merger;**
- **merger activity;**
- **merger proposal:** *The merger proposal calls for the three companies to be combined into a new entity;*
- **merger negotiations;**
- **merger agreement;**
- **merger talks:** *The two airlines ended merger talks after failing to agree on how much of the combined company each side would own;*
- **merger frenzy** when a lot of mergers are taking place: *The merger frenzy has helped push up cable valuations to record highs on Wall Street;*
- **merger between:** *A merger between similar banks in the same area should enable them to eliminate 40% of the expenses of one of the banks.*

Demerger *n* [C] making one part of a large company into a separate company: *Merchant bankers proposed a demerger of the company into two separate businesses.*

Takeover *n* [C] the act of getting control of a company by buying over 50% of its shares: *To avoid a takeover, the investment company went deeply in debt to pay a huge special dividend.*

Collocations:

- **attempted/ proposed takeover;**
- **agreed takeover;**
- **company takeover;**
- **takeover attempt;**
- **takeover offer;**
- **takeover battle:** *The consortium won a fierce takeover battle for the engineering group;*
- **takeover bid** an offer by one company to buy another, or the value of this offer: *There was a takeover bid by a larger and more aggressive company;*
- **anti-takeover plan** one to try and avoid a takeover.

Competitor *n* [C] a person, product, company, country that is competing with another; rival: *Britain has had higher long-term interest rates than most of its major competitors.*

Divest *v* [T] if a group divests one of the companies that it owns, it gets rid of it by selling it: *We fulfilled our commitment to shareholders to divest our downstream business by creating a new company.*

Divestiture *n* [C, U]: *The divestiture of AT&T in 1984 opened up the US telecommunications equipment market.*

Flotation *n* [C, U] making shares in a company available for people to buy for the first time: *The group has decided to postpone its stockmarket flotation until next year. If the dividend had been cut, it might have made investors nervous about the forthcoming share flotation.*

Joint venture *n* [C] a business activity in which two or more companies have invested together: *Saudi Arabian and Japanese officials agreed on a joint venture to build oil refineries in both countries.*

Word focus

If one company **acquires** another, it buys it or **takes it over**. A **buyout** is when a person or organisation buys a business. An **employee/ staff buyout** is when employees buy the company they work for. A **management buyout** is when a company's senior managers buy the company they work for. A **leveraged buyout** is when a person or organisation buys a company using a loan borrowed against the company's assets, some of which may then be sold to pay off the loan. In order to avoid a takeover, a company may use a **poison pill** (something in a company's financial or legal structure that makes it difficult for another company to take it over). Other actions taken by companies to prevent a **hostile takeover** include the **crown jewels defence** *BrE*, in which a company sells important assets cheaply to a supporter, so that the company is less attractive to buy, and then buys them back later when the takeover is less likely to happen, or the **Pacman defence** *AmE*, in which a company that is the target of a takeover buys the shares of the company that is trying to take it over. A **merger** is an occasion when two or more companies or organisations join together to form a larger company.

1.3. Capital in Finance

1.3.1. Capital description

Capital *n* [U] 1 money or property used to produce wealth: *Countries around the world are hungry for capital and economic development.*

2 money from shareholders and lenders that can be invested by a business in assets in order to produce profits: *There is a shortage of capital for the purchase of new aircraft.*

Collocations:

- **customer capital** COMMERCE: *Companies have begun to take their customer capital seriously, and manage it as the asset it is;*
- **human capital** ECONOMICS: *Governments must invest in education to develop human capital;*
- **intellectual capital** HUMAN RESOURCES;
- **social capital** ECONOMICS: *The Japanese are good at managing the social capital of large organisations;*
- **starting capital;**
- **working capital;**
- **foreign/ private/ investment capital;**
- **to have capital:** *We don't have enough capital to buy new premises;*
- **to accumulate/ attract/ borrow/ generate/ raise capital:** *Since the stockmarket fell, companies have been prevented from raising capital by selling new stock;*
- **to invest/ provide/ put (up)/ sink capital:** *The company has put a lot of capital into the project. We can't expect the government to put up the capital. He sank vast amounts of capital in the venture;*
- **to free up/ release/ unlock capital;**
- **to tie up capital** make it unavailable for use: *The company has bought lots of land over the last few years, which ties up capital as it waits to develop it;*
- **capital assets/ goods/ resources/ stock;**
- **capital costs/ expenditure/ investment/ outlay/ repayment/ spending;**
- **capital accumulation/ growth;**
- **capital account;**
- **capital grant;**
- **capital project:** *Investments in major capital project are huge;*
- **capital gain;**

- **capital loss;**
- **capital flow/ movement;**
- **capital inflow;**
- **capital outflow;**
- **capital value:** *the capital value of the property;*
- **capital market;**
- **capital intensive:** *capital intensive industries;*
- **capital invested;**
- **injection of capital:** *The company desperately needs a fresh injection of capital;*
- **return on capital:** *Investors want an immediate return on their capital.*

Venture capitalist *n* [C] someone who invests money in new businesses: *In the fourth quarter, venture capitalists invested \$317 million in computer-related business star-ups.*

Capitalisation *BrE* (also **capitalization** *AmE*) *n* [U] **1** the total value of a company's shares: *The company's capitalisation has increased to \$81.5 billion.*

2 the total value of all the shares on a stockmarket at a particular time: *Share prices are so low that the total market capitalisation of the Seoul stock exchange last week amounted to only 66,000 billion Won.*

Capitalise *BrE* (also **capitalize** *AmE*) *v* [T] to make money available to a business in the form of loans and money invested in shares so that it can operate and grow: *The company will be capitalised with \$80 million in cash from the four partners and about \$250 million in debt.*

1.3.2. Types of capital

Authorised capital *BrE* also **authorized capital** *AmE* the largest amount of capital a company is allowed to have in the form of shares; also **authorised issue, authorised stock:** *To finance the expansion programme, the company doubled its authorised capital from 5 billion to 10 billion pesos.*

Core capital another name for share capital when talking about the capital of financial institutions: *the proportion of the bank's total assets held as core capital.*

Debt capital capital raised by issuing bonds (making them available for people to buy): *if a firm raises debt capital by selling bonds publicly, then some sales costs will be incurred.*

Equity capital capital in the form of shares, not debt: *The company will issue 30 million new shares and raise its equity capital by \$56 million.*

Flight capital capital sent abroad because of economic or political uncertainty: *When Africa's flights capital comes home we will know that real recovery is in progress.*

Issued capital capital in the form of shares already offered to and held by shareholders

Loan capital capital in the form of money lent to a company as loans, bonds, or debentures, not shares; also **debt**: *The Welsh Development Agency provides loan capital for industrial projects.*

Nominal capital the total value of all the shares issued by a company, at the time when they were issued: *Shares in 29 companies with a total nominal capital of US\$1,600 million were to be traded on the exchange.*

Ordinary capital a company's main class of ordinary shares on which dividends are paid only after those on more important classes or shares: *AT&T holds 91 million ordinary shares in the company, representing 18,6% of its ordinary capital.*

Paid-in capital also **paid-up (share) capital** share capital for which money has actually been received from shareholders, rather than for shares not yet paid for or not yet issued (made available)

Preference capital *BrE*, **preferred capital** *AmE* a special class of a company's shares, on which dividends are paid before the dividends on ordinary shares, and whose holders are repaid before others if the company goes bankrupt

Risk capital capital invested in a business activity that involves a lot of risk, but which may be very profitable; also **venture capital**

Share capital capital that a company has from investors who have bought shares: *San Paolo said it plans to sell the shares, which represent 20% of the bank's share capital.*

Split capital a way of dividing a trust company's capital into two kinds of shares, capital shares and income shares

Tier 1 capital also **first-tier capital** one of the two categories into which a bank's capital is divided, consisting of the most central and important types of capital. According to banking rules, banks must keep a certain amount of Tier 1 capital to protect them against failing: *Tier 1 or 'core' capital consists of common stocks, retained earnings, and preferred stock. The agreement called for the bank to maintain Tier 1 capital of at least 6% of its assets.*

Tier 2 capital also **second-tier capital** one of the two categories into which a bank's capital is divided, consisting of the less important and central types of capital: *Tier 2 capital includes securities and subordinated loans.*

Uncalled capital capital in the form of shares that have been issued (made available to investors) but not yet paid for: *the Company's property or assets, including its uncalled capital.*

Venture capital money lent to someone so that they can start a new business; also **risk capital**: *The fund provides venture capital and loans for US business projects. Pullman has borrowed heavily from banks and venture capital companies.*

1.4. Insurance

1.4.1. General background

Insurance *n* [C, U] an agreement in which you pay a company money, either in one payment or in regular payments, and they pay your costs, for example, if you lose or damage something, have an accident or injury

Collocations:

- **insurance against sth:** *You can take out insurance against employee injury;*
- **to offer/ provide insurance;**
- **to refuse insurance:** *Have you ever been refused car insurance in the past?;*
- **to arrange/ obtain/ take out insurance:** *You must make sure you take out insurance on the contents of your house;*
- **to have insurance:** *Ensure you have sufficient insurance to cover the cost of replacing your valuables;*
- **to be covered by (the) insurance:** *Unfortunately, stolen personal belongings are not covered by the insurance;*

- **to claim on the/ your insurance:** *I claimed on the insurance for the damage to the furniture;*
- **insurance pays for sth/ covers sb/ sth:** *This insurance covers the cost of their mortgage but they are considering more life cover.*

Word focus

When you want to **insure** something or **take out insurance** (arrange to have it), you contact an **insurance company** or an **insurance broker** who can sell you an **insurance policy**. If you are **covered** (insured) against injury, theft, damage, you can **make a claim** (ask for payment from the insurance company) if something bad happens. A **claimant** is someone who does it. An **adjuster** or **loss adjuster** is the person whose job is to address the value of loss or damage when someone has **claimed on** their insurance policy.

1.4.2. Types of insurance

Agreed-value insurance *n* [U] insurance for an amount agreed to by an insurance company at the start of an insurance period, rather than at the time the property is lost or destroyed: *Agreed value insurance guarantees you will get all of your money back in the event of total loss to your classic car.*

All-risks insurance also **all-loss insurance** *n* [U] insurance against all risks except ones particularly excluded (specifically stated as not insured) in the insurance policy

Annuity insurance *n* [U] insurance agreement that provides a series of payments over a particular period of time, often after you stop working, and sometimes for the rest of your life

Block insurance *n* [U] insurance that protects goods or property belonging to more than one person: *Students who live in University accommodation automatically have their personal belongings insured as part of a block insurance policy.*

Business interruption insurance [U] insurance against financial loss caused by a business not being able to continue its normal activities after an accident, fire

Business liability insurance *n* [U] insurance taken out by a company to protect against injury or damage caused by a problem with a

product or a failure by an employee: *Every business owner should shop for the best business liability insurance rates and coverage.*

Comprehensive insurance *n* [C, U] insurance that pays out if there is injury or damage to you and your vehicle, as well as if there is injury or damage to other people and vehicles that are involved in a car accident with you: *Comprehensive insurance will also cover you against theft, and against any damage done to your car when no other vehicle is involved.*

Contingency insurance *n* [U] insurance that protects someone against risks that are not the usual areas dealt with by insurance companies: *The organisers of the world's biggest sporting events take out contingency insurance, which pays out if an event is interrupted, postponed, or cancelled.*

Credit insurance also **consumer credit insurance** *n* [U] insurance that will pay back someone's loan if they die, are unable to work because of illness or injury, or lose their job: *Lenders as well as borrowers benefit from credit insurance, which gives them security against payment problems.*

Deposit insurance *n* [U] a system in which payments are made by banks to an organization that would pay a bank's customers their money back if that bank went bankrupt: *In 1985, the bank failed, pulling down Ohio's deposit insurance fund with it.*

Income insurance also **income protection insurance** *n* [U] a type of insurance that protects someone if they lose income because of health or other problems: *The income insurance scheme has proved popular among rice farmers, whose crops are subject to flood and drought cycles.*

Life insurance *BrE* also **life assurance** *n* [U] a system in which you make regular payments to an insurance company in exchange for a fixed amount of money which will be paid to someone you have named, usually a member of your family, when you die: *For \$23 a month a man aged 30 can buy a \$100,000.*

Collocations:

- **life insurance policy;**
- **life insurance company.**

Medical assurance *BrE* also **medical cover** *n* [U] insurance for the cost of medical treatment if you are ill or injured, often paid for by companies for their employees: *All senior employees within our*

organisation enjoy benefits such as a company car, pension, and medical insurance.

Collocations:

- **to provide/ take out/ buy medical insurance;**
- **a medical insurance policy/ plan/ scheme;**
- **medical insurance costs/ premiums.**

Open insurance also **floating insurance** *n* [U] an insurance agreement that relates to all the goods sent by a producer during a period of time

1.4.3. Key terms in insurance

Actuary *n* [C] (plural **actuaries**) a person whose job is to calculate risk for insurance companies and pension funds, especially the age to which people are expected to live. The companies and funds use the results to make certain that they always have enough money to make payments to the people who have a right to them: *Actuaries and auditors have a statutory duty to report anything that exposes the assets of a pension scheme to risk.*

Average adjuster *n* [C] a person who calculates the cost of damage to or loss of a ship or the goods it carries, for insurance purposes: *Apportionment of cargo damage was referred to an average adjuster.*

Certificate of insurance (plural **certificates of insurance**) also **insurance certificate** *n* [C] an official document from an insurance company, used to prove that you have insurance and to show the types of financial protection that it provides: *Any project that plans to film on state property must file a certificate of insurance with the New Hampshire Film and Television Office.*

Claimant *n* [C] a person or company that requests or receives payment from an insurance company for an accident, illness, damage to property: *No payment will be made if the claimant, at the time of effecting the insurance, was receiving medical treatment.*

Compensation *n* [U] (written abbreviation **comp**) money that is paid to someone because they have been hurt, or because something has been lost or damaged: *If you can prove that someone else was to blame for your accident, you will be entitled to compensation.*

Collocations:

- **to seek compensation for injury;**
- **a compensation claim.**

Excess *n* [C, U] a part of the cost of an accident, injury, etc. that you agree to pay yourself when you buy insurance: *Cover would cost \$239 a year with a \$75 excess, or \$215 a year with a \$250 excess.*

Indemnity *n* [U] protection against possible damage or loss, or the money paid if there is damage or loss: *Every full-time employee at our firm receives a policy that gives indemnity against accidental death.*

Collocations:

- **indemnity for/ against sth:** *The policy provides an indemnity for loss of or damage to third-party property;*
- **to provide/ offer (an) indemnity:** *This insurance provides indemnity against legal costs and damages;*
- **indemnity bond:** a legal agreement in which a financial organisation promises to make a payment to an organisation that has lent money if they do not get the loan back: *Lenders reduce their risk by using indemnity bonds for mortgages over 70-80 % of the value of the property.*

Insurance agent *n* [C] a person or company who gives advice about and sells insurance for an insurance company or number of insurance companies: *A good insurance agent can be a very useful guide to the policies available.*

Insurance broker *n* [C] a person or a company that buys and sells shares, bonds, currencies, insurance for other people or organisations: *In all these matters, your broker will be able to advise you.*

Insurance claim *n* [C] a request to an insurance company for payment relating to an accident, illness, damage to property

Collocations:

- **to pay a claim;**
- **to refuse a claim;**
- **to settle a claim:** *An insurance adjuster will work with the injured party to settle the claim;*
- **to bring/ file/ make/ submit a claim:** *Do not submit a claim if the doctor or hospital is also filing a claim for the same service.*

Insurance company *AmE* also **insurance carrier** *n* [C] a company whose business is providing and selling insurance: *You must notify your insurance company immediately of any damage or loss that has occurred.*

Insurance cover also **insurance coverage** *n* [U] protection that is given by an insurance company when it agrees to pay money if a particular thing happens, for example if someone is injured, or property is lost or damaged: *When applying for building and contents insurance cover, make sure you give as much detail about the property as possible.*

Insurance market *n* [C] the business of buying and selling insurance, and the companies that are involved in it: *They aim to stabilize the insurance market and increase competition so that insurance premiums can be lowered.*

Insurance policy *n* [C] a document stating the agreement between an insurance company and a person or company that has arranged insurance with it

Collocations:

- **to take out an insurance policy:** *To make sure that your employer can pay the compensation, they must take out an insurance policy;*
- **to apply for an insurance policy;**
- **to have an insurance policy;**
- **a travel insurance policy;**
- **an accident insurance policy;**
- **a household insurance policy.**

Insurance premium *n* [C] an agreed amount of money that you pay to an insurance company for insurance, either as one payment or as one of a series of payments

Insurance product *n* [C] a particular type of insurance agreement that is sold: *Our Premier Insurance is a unique insurance product designed for those who require a higher level of cover.*

Insurance quote also **insurance estimate** *n* [C] a statement of the amount of money that an insurance company calculates as the cost of providing insurance for something: *Get an immediate insurance quote for your car by calling us now or visiting our website.*

Insurance risk *n* [C] **1** the possibility of loss, damage, injury against which insurance is provided: *We will cover you against flooding and all other insurance risks.*

2 a person or business when they are considered in relation to the amount of risk that is involved for an insurance company when

it provides insurance for them: *Newly qualified young male drivers are a particularly poor insurance risk.*

Insurance schedule *n* [C] an official list of things that are affected by a legal or insurance agreement: *The paintings were added to the insurance schedule.*

Insurance underwriter *n* [C] **1** a person, usually someone who works for an insurance company, who calculates the risk involved in an activity and decides how much insurance will cost to cover it

2 a person who agrees to accept the risk of any loss under an insurance contract: *one of the country's foremost insurance underwriters.*

Loss adjuster *n* [C] a person or company whose job is to assess the value of loss or damage for someone who has claimed on their insurance: *The loss adjuster feels there is likely to be a valid subsidence claim.*

No claims bonus also **no claims discount *n*** [C] a reduction in the amount paid for insurance because no claims (requests for money following accidents or losses) have been made during a particular period: *If you make a claim you might lose your no claims bonus.*

Third party *n* [C, usually singular] in an insurance contract, a person who is not the insurance company or the insured person, but who will receive money if they suffer loss or damage caused by the insured person: *The policyholder is covered if they cause injury or damage to a third party.*

1.5. Investment

1.5.1. General background

Investment *n* **1** [C or U] the act of putting money into a business to buy new stock, machines or a sum of money that is invested in a business in this way: *They plan to maintain their current level of investment.*

2 [U] the act of buying shares, bonds, property, etc. in order to make a profit

3 [C] something such as shares, bonds, or property that you buy in order to make a profit: *The fund was billed as an especially safe investment option.*

Collocations:

- **to attract/ encourage investment;**
- **long-term investment;**
- **short-term investment;**
- **domestic investment;**
- **foreign/ overseas investment;**
- **private investment;**
- **public investment.**

Invest *v* 1 [I, T] to buy shares, property or goods because you hope that the value will increase and you can make a profit: *I've got a few thousand dollars I'm looking to invest.*

2 [I, T] if a government, business, or organisation invests in something, they spend a large amount of money to improve it or help it succeed: *The city has invested millions of dollars in the museum.*

Word focus

Return on investment (ROI) or **return on capital (ROC)** is the amount of profit received on an investment in relation to the amount of money invested. If someone **disinvests** from an activity or area of business, they stop investing in it. If someone **divests**, they reduce the number of their investments by selling them. If someone **diversifies**, they put money into several different types of investment instead of only one or two.

1.5.2. Types of investment

Capital investment (written abbreviation **capex**), also **capital expense**, also **capital investment**, also **capital outlay** *n* [U] money that a company spends on land, buildings, and equipment that it uses to produce products and provide services: *Capital expenditure on property upgrades and refurbishments is expected to continue rising.*

Corporate investment *n* [U] investment that is made by companies rather than by governments or individual people: *The interest rate cut should stimulate corporate investment in manufacturing.*

Direct investment *n* [U] investment by a bank directly in a company or a business opportunity. With direct investment, a bank

actually owns all or a portion of a venture, rather than simply lending money to finance the venture

Equity investment *n* [U] money that is invested in a company in the form of shares: *In order to develop the country's infrastructure we need a lot of capital, both loans and equity investment.*

Financial investment *n* [C, U] the act of providing money for a business rather than other forms of investment such as effort or time, or the money provided: *His job was to provide financial investment to new and existing portfolio companies.*

Fixed investment *n* [C, U] money that a company invests in assets such as buildings, property, and machinery: *The GNP last quarter showed a fall in consumption and fixed investment.*

Gross investment *n* [U] the total value of an investment without allowing for any loss in worth, especially over time: *The gross investment of the first phase of the building development amounts to \$10 million.*

Legal investment *n* [C] an investment that is considered correct for someone with legal responsibility for the money of others, for example under a trust: *Investment-grade bonds qualify as legal investments.*

Net investment *n* [C] the amount of money that a company spends on buildings, equipment after subtracting depreciation (reduction in value over a period of time): *Latest figures show that net investment is now a quarter of its level of 10 years ago.*

Speculative investment *n* [C, U] an investment that carries a high level of risk of loss, or the activity of investing in these types of investment: *The more people use housing as a form of speculative investment, the greater the risk of surges and collapses in value.*

Private investment *n* [C, U] money invested by companies, financial organizations, or other investors, rather than by a government: *Research should be based on a partnership of public and private investment.*

1.5.3. Key terms in investment

Dividend *n* [C, U] part of the profit of a company that is paid to shareholders:

Collocations:

- **share/ stock dividend:** *You may have investment income that is paid yearly, such as share dividends;*
- **an annual dividend;**
- **a quarterly dividend;**
- **a gross dividend;**
- **a net dividend;**
- **to announce/ declare/ propose a dividend:** *In connection with this sale, the Board proposed a special dividend of 25.0 pence per share;*
- **to pay/ produce/ yield a dividend:** *Shares paying high dividends are known as ‘income stocks’;*
- **to receive a dividend:** *We anticipate receiving a substantial dividend on our holding;*
- **to expect a dividend;**
- **to omit/ pass/ suspend a dividend:** *The company announced that it would be suspending its quarterly dividend in order to reduce debt.*

Earnings *n* [plural] a company’s or industry’s profits in a particular period: *Earnings from record sales topped €5 million.*

Collocations:

- **strong earnings:** *It was one of the few companies that showed strong earnings.*
- **expected/ forecast earnings.**

Futures *n* [plural] also **futures contract** [C] agreements to buy and sell particular shares, goods on a particular date in the future at a fixed price. Futures can be traded on financial markets

Collocations:

- **corn/ gold/ oil futures:** *Oil futures topped \$88 a barrel for the first time;*
- **currency futures;**
- **bond futures.**

Growth *n* [C, U] the increase in value of an investment over a long period: *Choose a trust that invests for growth rather than for income.*

Interest n 1 [U] money that is charged by a bank or other financial organisation for lending money

2 [U] money that you earn from keeping your money in an account in a bank or other financial organisation

Collocations:

- **interest charges/ payments:** *Interest charges on an overdraft are usually quite high;*
- **to charge/ pay interest:** *A number of providers don't charge any interest for an introductory period when you get one of their cards;*
- **interest on sth:** *The interest on a mortgage is higher than the interest earned on savings;*
- **with interest:** *I paid back the whole sum with interest within a month;*
- **monthly interest;**
- **annual interest;**
- **to earn interest:** *You will earn interest at 4% as long as you have money in your account;*
- **to receive interest;**
- **to pay interest.**

Investor n [C] a person, organisation, or country that puts money into something in order to make a profit or receive interest: *The largest investor in the non-manufacturing sector was the UK.*

Collocations:

- **an institutional investor;**
- **an individual investor;**
- **a private investor:** *Much of the increase in private investor activity has come through online dealing.*

Portfolio n [C] (plural **portfolios**) a collection of different investments that are owned by a particular person or organisation

Collocations:

- **an investment portfolio;**
- **a property portfolio;**
- **to have/ hold a portfolio:** *These funds are less risky because you hold a portfolio selected and monitored by a specialist manager;*
- **to build (up) a portfolio:** *You could build up a portfolio including UK funds;*
- **a balanced portfolio;**
- **a diversified portfolio:** *It's a diversified portfolio, which will lower the risk;*

- **a global portfolio;**
- **an international portfolio:** *These funds are impossible to ignore if you want a broad international portfolio;*
- **a bond portfolio;**
- **a stock/ share portfolio:** *These shares should amount to no more than 10 or 20% of a stock portfolio.*

Share *n* [C] one of the units that the ownership of a company, fund is divided into and which can be bought by members of the public: *She buys and sells stocks and shares.*

Stake *n* [C] money risked or invested in a business: *He has a stake in some liquid assets that could be used for income or held on to as a safety net.*

Equity stake *n* [C] the part of a company that a person or organisation owns, represented by the number of shares they have: *Investors provide capital in exchange for equity stakes.*

Collocations:

- **to take an equity stake;**
- **to acquire an equity stake;**
- **to have an equity stake (in sth):** *The investment bank intends to take an equity stake in the firm as part of its involvement with the takeover;*
- **a significant equity stake.**

Majority stake *n* [C] the right to control a company because you own a group of shares that together are more than any other shareholder has

Collocations:

- **majority stake in sth:** *The German telecommunications giant is reported to be in talks regarding the sale of majority stakes in its cable TV network;*
- **to buy a majority stake:** *A Scottish-based buses and trains operator is currently trying to buy a majority stake in a Dutch public transport group;*
- **to sell a majority stake;**
- **to acquire a majority stake;**
- **to have/ hold/ own a majority stake:** *They will have a majority stake in the new parent company;*
- **to keep/ retain/ take a majority stake:** *Belgium's government intends to retain a majority stake in its country's dominant telecoms operator.*

Minority stake *n* [C, usually singular] also **minority shareholder** a company's shares that belong to a shareholder other than the controlling shareholder: *The deal gives the technology giant a minority stake in the social networking site.*

Stock *n* [C, U] (written abbreviation **stk.**) part of the ownership of a company that people have as an investment in the form of shares: *In November, the company's stock hit \$2 a share.*

1.6. Market

1.6.1. General background

Market *n* 1 [C] the business or activity of buying and selling a particular product or service: *The battle for control of the London Stock Exchange aims to create a truly global market in shares.*

2 [C] a part of the world where something is or might be sold, or a particular group of people who buy or might buy something: *The emerging market where we see perhaps our strongest opportunity is China.*

3 also **financial market**, also **stock market** [C] the activity of buying and selling shares, bonds, commodities (products that can be traded), currencies, or a place where this is done: *Some investors gain unfair advantage by changing orders after markets have closed.*

Collocations:

- **car/ coffee/ telecoms market:** *The telecoms market is evolving rapidly;*
- **local market;**
- **world market;**
- **booming market;**
- **competitive market;**
- **buoyant market;**
- **depressed/ falling/ weak markets;**
- **changing/ growing/ expanding market:** *Time-share companies have adapted their sales packages to a changing market;*
- **export/ international/ overseas market;**
- **corporate market;**
- **teenage market;**
- **youth market;**
- **market information;**

- **market assessment;**
- **to break into the market;**
- **to capture the market;**
- **to enter the market;**
- **to create a market:** *The consoles are sold at the lowest possible price to create a market for profitable games;*
- **to find a market;**
- **to open up a market;**
- **to break into/ enter/ penetrate a market:** *They've wanted to break into the market in Asia for some time;*
- **to develop/ expand/ pursue markets:** *We give the highest importance to expanding markets for existing products.*

1.6.2. Types of market

Bear market also **graveyards market** *n* [C] a period during which prices in a financial market are going down and a lot of people are selling shares: *While other bankers had their bonuses slashed during the recent bear market, bond traders continued to earn large pay-outs.*

Bond market *n* [C] the activity of buying and selling bonds: *A slowing economy and virtually no inflation is a very good environment for the bond market.*

Bull market also **bull**, also **bull run** *n* [C] a period when the price of shares and other investments are higher than usual, and many people invest because they expect to earn large profits: *When the market is down, you lay off the traders hired during the bull market.*

Capital market *n* [C] the system of financial organizations from which companies and governments raise money selling stocks, bonds to investors

Collocations:

- **domestic capital market;**
- **global capital market:** *Long-term interest rates, such as those on mortgages, are determined by global capital markets;*
- **international capital market.**

Cash market *n* [C] (also **spot market**) a financial market in which products are sold and delivered immediately, rather than one in which agreements are made for products to be delivered at some time

in the future: *Most trading in this predominantly cash market is still done over the telephone.*

Closed market *n* [C] a market that is not open to business from companies in other countries: *Latin American economies are opening up to world markets in reverse of their closed market approach in the debt crisis of the 1980s.*

Commodity market also **commodities market** *n* [C] trade in large quantities of substances or products such as oil, metals, grain, coffee, or the place where they are traded: *In other commodity markets, lumber prices jumped, while oil prices fell sharply.*

Credit market *n* [C] the business of lending money

Collocations:

- **consumer credit market:** *Store cards account for about 10% of the consumer credit market in the UK;*
- **home credit market.**

Currency market also **foreign exchange market**, also **exchange market** *n* [C] a financial market in which foreign currencies are bought and sold: *On the currency markets, the pound recorded a slight decline against the dollar.*

Discount market *n* [C] in the UK, the part of the financial system in which bills of exchange are bought and sold at a reduced price: *We accept Bills of Exchange and arrange for them to be discounted on the discount market.*

Equity market *n* [C] the buying and selling of shares: *You can trade over the phone on the UK equity markets.*

Forward market *n* [U] the buying and selling of currencies, goods, in which the price is fixed now for delivery on a particular date in the future: *Selling dollars in the forward market now for purchase at some later date can boost profit.*

Futures market also **options market** *n* [C] a market where futures and options are traded: *Financial futures markets are already betting on an imminent rate rise.*

Gilt-edged market also **gilts market** *n* [C] the financial market for British government bonds: *The fund invests in government stocks according to the trends of the gilt-edged market.*

Graveyard market also **bear market** *n* [C] a period during which prices in a financial market have been going down for a long time and there is very little trading activity. This is because shareholders do not want to lose money by selling their shares very cheaply, and investors do not want to buy new shares until the situation improves: *The crash itself, though large in its own right, was nothing compared to the ensuing graveyard market and devastating depression.*

The grey market *BrE* also **the gray market** *AmE* *n* [C] the buying and selling of a company's shares before they are available officially: *First dealings in the company's shares will start on the grey market on March 27 and formal trading begins on April 2.*

Insurance market *n* [C] the business of buying and selling insurance, and the companies that are involved in it: *They aim to stabilise the insurance market and increase competition so that insurance premiums can be lowered.*

Investment-grade market also **high-grade market** *n* [C] a market for good quality bonds that have a low risk of not being paid back: *I have no AA or AAA-rated bonds in the portfolio due to my concern for the investment-grade market.*

Kerb market *BrE* also **curb market** *AmE* *n* [C] the trading of shares outside the system of official stock markets or at hours when those stock markets are closed: *The reluctance of banks to lend to private companies forced the city's entrepreneurs to turn to the kerb market.*

Loan market *n* [C] the market where financial organisations provide loans to borrowers and sometimes repackage them (sell them on to investors)

Collocations:

- **consumer loan market:** *The consumer loan market has been the fastest growing sector in recent years;*
- **domestic/ home loan market;**
- **leveraged loan market;**
- **secured loan market;**
- **unsecured loan market.**

Money market *n* 1 [C] a market for borrowing and lending money for short periods between banks and other financial organisations:

Higher lending rates between banks will make it less profitable for investors to raise funds in the money market.

2 [U] the activity of buying and selling currencies: *The software is essential for anyone engaged in money market transactions.*

Mortgage market 1 also **primary mortgage market n [C]** the business of lending money to buy houses and other property

2 also **secondary mortgage market** the business of buying and selling mortgages: *The secondary mortgage market helped dilute the risk to lenders by buying and packaging the loans into securities paying high interest rates.*

New issue market n [C] a market for bonds, shares when they are first sold, rather than when they are traded later

Over-the-counter market (OTC) n [C] a market in which shares are bought and sold directly on a computer system rather than through a stock market: *Players in the over-the-counter market can negotiate the sale or purchase of custom options for any amount of money and any time frame.*

Parallel market also **parallel money market n [C]** an unofficial market for shares, currencies, which works at the same time as the official market: *The offshore currency market can be viewed as a parallel money market. Increased controls would likely spur more activity on the parallel market.*

Securities market also **securities exchange n [C, U]** a financial market where bonds, shares are made available and traded: *Anyone involved in the securities market must abide by the Code.*

Spot market also **cash market**, also **spot cash market n [C]** a market for currencies or commodities in which they are sold and given to the buyer immediately, rather than being sold forward (to be taken on a future date): *Crude oil prices fell to just over \$26 a barrel yesterday on New York's spot markets.*

Stock market n [C] the activity of buying and selling shares in particular companies, and the people and organisations involved in this: *It's not a good time to invest in the stock market.*

Collocations:

- **the stock market closes:** *The stock market closed 5.77% higher at 1,822.45 points;*
- **the stock market opens;**

- **a stock market rises;**
- **a stock market falls:** *The Japanese stock market fell over 100 points;*
- **world stock markets:** *Corporate giants are still dominating world stock markets.*

Swaps market *n* [C] a financial market in which organisations exchange loan agreements for ones that have a different interest rate, currency that suits them better: *The cost of insuring debt investments has been soaring on the credit default swaps market.*

Terminal market *n* [C] a place where futures and commodities are bought and sold: *At these prices, you're going to find a lot of coffee on the terminal market.*

Third market *n* [S] a market in which financial organisations buy and sell shares directly rather than through a stock market: *The firm is the biggest broker of Eurobonds and sovereign debt and is the largest third market for US equities.*

Check Tests on Finance

Check Test 1 (covering “Introducing finance”)

A Complete the sentences below with a term from the Unit ‘Key Terms in Financial Planning’.

- 1 The are all costs directly concerned with getting customers to buy products and moving them to the customer.
- 2 shows how a business might make profits. It is calculated from the relationship between profit and the capital invested in the company, and between profit and turnover.
- 3 The amount of money of a company regularly coming in over a period of time (especially from selling goods or services) can be defined as the of a company.
- 4 The is the amount of sales a company needs to cover all costs.
- 5 The process of studying the financial state or condition of a company at a particular period of time is called
- 6 The of a business is the total amount of sales, before costs are deducted.
- 7 The are all the costs directly associated with producing the products.
- 8 The of a business is the main product or service which the business provides, e.g. for APPLE it is computers and computer technologies.
- 9 The is a calculation of profit after deducting the cost of sales and overheads.
- 10 The disbursement or the act of using up and spending something, especially funds, is called
- 11 The is the profit the business makes before costs are considered.
- 12 The are the normal costs of a business, which do not change if production rises. They are also referred to as indirect costs or fixed costs.
- 13 The are the costs involved in creating a new business.
- 14 The can be defined as the cost, charge and also a cause or occasion of spending.
- 15 is an attempt to estimate the level of regular business. It includes existing contracts, the typical volume of

sales to regular customers, typical volume of non-regular business and an estimate of the volume of new business.

B Match each term on the left (1-8) from the Unit ‘Financial Documents’ with the correct definition on the right (a-h).

1	share certificate	a	A formal description of a company’s financial position at a specified moment.
2	balance sheet	b	A description of the ways a new business hopes to make money, showing possible income and expenditure.
3	market report	c	An official notification from a bank that it will lend money to a customer.
4	business plan	d	A formal agreement to provide goods or services.
5	letter of credit	e	A plan of cash income and cash spending for a specific period of time.
6	financial reporting	f	An account describing in detail the market data as the result of observation, inquiry, etc.
7	cash budget	g	A document which presents the facts and figures about the company activity for or during a prescribed period of time.
8	contract	h	A document which represents a part of the total stock value of a company and which shows who owns it.

C Choose the best answer (a, b or c) using the information from the Units ‘Introducing Finance’, ‘Who’s Who in Finance’, ‘What’s What in Finance’.

- 1 is responsible for the financial side of running a business.
- Finance director
 - Financial adviser
 - Financial analyst

- 2 If the person manages a particular type of investment for a bank or its clients he works as the
- a) fund manager
 - b) portfolio manager
 - c) trading manager
- 3 is responsible for people buying and selling investments at a financial institution.
- a) Trader
 - b) Transfer agent
 - c) Trading manager
- 4 An arrangement to borrow money for a short time until you can make more long-term financial arrangements is called
- a) capital finance
 - b) bridging finance
 - c) independent finance
- 5 Rising prices, rising costs and rising wages in an economy lead to
- a) bankruptcies
 - b) inflation
 - c) liquidation
- 6 When your finances are not definite or firm they are called finances.
- a) shaky
 - b) sound
 - c) personal
- 7 Someone who works in a financial institution and arranges investments in companies is called a
- a) successful financier
 - b) investment financier
 - c) corporate financier
- 8 The name for all the property, equipment, investments and money owned by a company or individual is
- a) mortgages
 - b) shares
 - c) assets

- 9 When you want to finance you increase or collect money that is needed to do something.
- a) raise
 - b) provide
 - c) require
- 10 The name for everything that a company owes is
- a) dividends
 - b) liabilities
 - c) shares

Check Test 2

(covering “Company as a business entity” and “Capital in finance”)

A The chart on the left shows the staff grades (1-8) in the company but the labels have got mixed up. Using the information from the Unit ‘Company Staff’ put them in their correct places (a-h) in the chart on the right.

White-collar grades	White-collar grades
1 Junior management	a)
2 Unskilled grades	b)
3 Semi-skilled grades	c)
4 Skilled grades	d)
Blue-collar grades	Blue-collar grades
5 Middle management	e)
6 Clerical grades	f)
7 Senior management	g)
8 Supervisory grades	h)

B Choose the best answer (a, b or c) using the information from the Units ‘Company’, ‘Types of Companies’, ‘Company Organisation’, ‘Capital in finance’.

- 1 If a company provides a service rather than goods it is called
- a
- a) business
 - b) firm
 - c) corporation

- 2 European films do not export well: European movies barely the US market.
- a) abandon
 - b) penetrate
 - c) dominate
- 3 If a company moves to a different place it
- a) relocates
 - b) dissolves
 - c) restructures
- 4 In the 1940s, MGM the market on film musicals. But by the late 1950s, Warner Bros had also started buying film rights to musicals.
- a) abandoned
 - b) got out of
 - c) monopolized
- 5 A company that is owned or controlled by another larger company is called a company.
- a) subsidiary
 - b) daughter
 - c) sister
- 6 A company that controls a smaller company or organization is called a company.
- a) controlling
 - b) holding
 - c) parent
- 7 A company is one of two or more companies that are owned by the same parent company.
- a) daughter
 - b) subsidiary
 - c) sister
- 8 company is owned by people or other companies, rather than by the government.
- a) Public limited
 - b) Public
 - c) Private limited
- 9 A company is a company that has just been formed.
- a) blue-chip
 - b) red-chip
 - c) start-up

- 10** In the 1970s, Kodak entered the instant photography market, until then by Polaroid.
- a) abandoned
 - b) dominated
 - c) penetrated
- 11** He had various ideas on how to capital for the project.
- a) raise
 - b) tie up
 - c) release
- 12** Freer makes it easier for funds to flow to economies with large trade deficit, like the US.
- a) capital flow
 - b) capital value
 - c) capital accumulation
- 13** The value of a company's relationship with the people and other companies that it does business with is called capital.
- a) customer
 - b) human
 - c) social
- 14** The bank's will vote on the merger proposal at a meeting today.
- a) managers
 - b) accountants
 - c) board of directors
- 15** If I am not mistaken, a is an officer directly below the president in rank in the company.
- a) manager
 - b) chief accountant
 - c) vice president

C Use the information from the Unit ‘Company Relationships’ and match each of the words or phrases on the left (1-13) to an appropriate definition (a-m).

1	acquisition	a	An offer to buy part of the share capital of a company.
2	bid	b	Making one part of a large company into a separate company.
3	buy-in	c	Joining together of the stock of two companies, so they become part of the same company.
4	competitor	d	A situation when one company buys another one, or part of another one.
5	demerger	e	Buying a majority of the shares in a company, and so winning control over the company.
6	divestiture	f	A rival business which is trying to sell in the same market as another business.
7	flotation	g	Selling equity capital in a company, and so ending ownership of the company.
8	joint venture	h	The open sale to private investors of shares in a company on the Stock Exchange.
9	merger	i	An arrangement where two companies work together for a particular project.
10	takeover	j	A situation when a company buys its own shares from existing shareholders.
11	employee/ staff buyout	k	A situation when a company’s top managers buy the company they work for.
12	management buyout	l	A situation when a person or organization buys a company using a loan borrowed against the company’s assets, some of which may be sold to pay off the loan.
13	leveraged buyout	m	A situation when employees buy the company they work for.

Check Test 3
(covering "Insurance")

A Complete the words below to match the given meanings.

1. Payment made by an insurer. (i_d_____y)
2. A document which is evidence that someone has insurance.
(i_____e c_____c_____)
3. Possibility that something might happen. (r_____)
4. The amount charged for insurance. (p_____m)
5. Insurance protection . (c_____)
6. A small part of the total loss which should be paid by the insured person when he/she makes an insurance claim.
(e_____s)
7. A type of insurance which pays out on the death of the insured, or at a specific pre-determined time.
(l_____a_____n_____)
8. A type of insurance to meet hospital costs after an accident or injury. (m_____l i_____e)
9. A person whose job is to find appropriate insurance at an appropriate price. (b_____)
10. A description of what happened and a request to an insurer to meet the costs resulting from the event. (_____m)
11. Someone other than the insured who suffers loss or injury in an accident. (t_____ p_____)
12. A document issued by an insurance company describing the type of insurance offered and requesting payment.
(s_____e)
13. A document describing an insurance agreement. (p_____y)
14. Someone whose job is to calculate risks, in order to advise insurance company. (a_____y).
15. Payment to help someone who has suffered loss or injury.
(c__ p_____ n)

B An insurance claim

Oleksandr Semenov has sent a claim form to his insurer after a fire at his restaurant. He receives the reply below. Complete the text with appropriate words from the box.

claim	cover	policy	compensation	quote	loss
	adjuster		premium	indemnity	
			no claims bonus		

Bridge Insurance Ltd

Ukraine, 01001, Kyiv 15, Khreschatyk Str., Off. 34
Tel.: (380 44) 27807101, 278 7103, Fax: (380 44) 278-2059
Mob.: (380 63) 245 40 73

Oleksandr Semenov
Dolores Restaurant
57 Parkova Str.
Kyiv 01023
26 April 2013

Dear Mr Semenov

Thank you for your (1) relating to the fire at your restaurant. We confirm that your policy is comprehensive and therefore covers fire.

Our (2) , Petro Karpenko, will visit you on 28 April to see the damage.

You will receive (3), for all damage to the building and equipment. You should supply a (4) from two firms for the repairs. You will also receive (5) for loss of business, though you will have to make a separate claim. In addition, your (6)also provides (7)for any legal costs which may arise.

Finally, we would like to inform you that your (8)will rise by 10% as your (9) will be affected by this incident.

Yours sincerely,
Janina Kolomiyets
Claims Manager

Check Test 4
(covering "Investment")

A Complete each sentence with the correct words from the box.

investment stock dividend shares growth interest portfolio earnings investors stake
--

1. This year, the steel industry's should be higher with the competition of costly modernization programs.
2. Any spare cash is best put in a savings account where it will earn
3. The group raised its regular on common shares 19% to 25 cents.
4. Analysts expect the company to sell its largein the HongKong bank.
5. Friendly companies and bank hold 56% of all in Germany's listed companies.
6. Officials have argued for lower interest rates because of recent slow in the economy.
7. The company might issue in order to pay down debt.
8. More is also needed to develop the food-processing industry in rural areas.
9. European stocks make up 50% of his investment
10. are confused about where to put their money in stocks.

B Find a term in with a similar meaning.

1. spot market	a) high-grade market
2. investment-grade market	b) graveyard market
3. futures market	c) foreign exchange market
4. bear market	d) cash market
5. currency market	e) options market

Check test 5
(covering "Market")

A Choose the best answer: **a, b, c** or **d**.

1. The pound rose and the yen fell as the markets reacted to a jump in oil prices.
 - a) grey
 - b) currency
 - c) mortgage
 - d) black

2. Market dealing in commodities, currencies, and securities for future delivery at prices agreed-upon today is called market.
 - a) graveyard
 - b) insurance
 - c) forward
 - d) kerb

3. Period in which prices of securities or commodities fall by 20 percent or more refers to market.
 - a) bear
 - b) futures
 - c) bond
 - d) capital

4. A financial market in which prices are rising, especially over a long period of time is called market.
 - a) bear
 - b) bull
 - c) graveyard
 - d) new issue

5. Network of banks, discount houses, institutional investors, and money dealers who borrow and lend among themselves for the short-term refers to market.
 - a) credit
 - b) loan
 - c) money
 - d) over-the-counter

6. The market for loans made by banks and other financial institutions is called market.
 - a) credit
 - b) spot

- c) loan
 - d) third
7. A market in which a borrower with one type of loan exchanges it with another borrower with a different type of loan is called market.
- a) securities
 - b) swaps
 - c) credit
 - d) mortgage
8. A place where companies' shares are bought and sold refers to market.
- a) stock
 - b) bull
 - c) high-grade
 - d) grey
9. The buying and selling of shares just before they are officially issued refers to market.
- a) gilt-edged
 - b) new-issue
 - c) grey
 - d) bull
10. On a(n) market, buyers and sellers are connected by computer, rather than trading in a particular building.
- a) parallel
 - b) spot
 - c) swaps
 - d) over-the-counter
11. A market where commodities are bought for immediate delivery is called market.
- a) spot
 - b) swaps
 - c) stock
 - d) third
12. A market for loans to people and organization buying property is called market.
- a) equity
 - b) mortgage
 - c) high-grade
 - d) kerb

13. An unofficial market in shares is called market.
 - a) kerb
 - b) cash
 - c) forward
 - d) currency
14. The market for the British government bonds is called market.
 - a) gilt-edged
 - b) new issue
 - c) capital
 - d) discount
15. UK's short-term money market comprising of banks, discount houses, and money brokers who discount bills of exchange refers to market.
 - a) grey
 - b) third
 - c) credit
 - d) discount
16. A market where foreign competitors are not allowed in is called market.
 - a) grey
 - b) closed
 - c) capital
 - d) forward

B Complete each sentence with the correct word.

1. The company is negotiating the purchase of a minority s__
__ in the French airline.
2. European stocks make up 50% of his investment p_____
__o.
3. The company is entering the Hawaiian m____ as part of
its nationwide expansion.
4. Precious metals f____s prices declined, with silver tem-
porarily dropping below the critical \$5-an-ounce level.
5. The coal industry here is suffering from a lack of modern
equipment and needs huge amounts of c____l invest-
ment.
6. Mr. Olsen founded the company with a \$70, 000 i____t
in 1957.

Answer Key

Check Test 1

A

1	selling costs
2	Profitability
3	revenue
4	break-even point
5	financial analysis
6	turnover
7	cost of sales
8	core activity
9	net profit margin
10	expenditure
11	gross profit margin
12	overheads
13	setting-up costs
14	expense
15	Sales forecasting

B

1	2	3	4	5	6	7	8
h	a	f	b	c	g	e	d

C

1	2	3	4	5	6	7	8	9	10
a	a	c	b	b	a	c	c	a	b

Check Test 2

A

a	b	c	d	e	f	g	h
7	5	1	6	8	4	3	2

B

1	b
2	b
3	a
4	c
5	a
6	c
7	c
8	b
9	c
10	b
11	a
12	a
13	a
14	c
15	c

C

1	d
2	a
3	j
4	f
5	b
6	g
7	h
8	i
9	c
10	e
11	m
12	k
13	l

Check Test 3

A

1	indemnity
2	insurance
3	risk
4	premium
5	cover
6	excess
7	life assurance
8	medical insurance
9	broker
10	claim
11	third party
12	schedule
13	policy
14	actuary
15	compensation

B

1	claim
2	loss adjuster
3	indemnity
4	quote
5	compensation
6	policy
7	cover
8	premium
9	no claims bonus

Check test 4

A

1	earnings
2	interest
3	dividend
4	stake
5	shares
6	growth
7	stock
8	investment
9	portfolio
10	investor

B

1	d
2	a
3	e
4	b
5	c

Check test 5

A

1	b
2	c
3	a
4	b
5	c
6	c
7	b
8	a
9	c
10	d
11	a
12	b
13	a
14	a
15	d

B

1	stake
2	portfolio
3	market
4	futures
5	capital
6	investment

2. BANKING

2.1. Introducing Banking

2.1.1. Money

Money n [U] coins, banknotes and bank deposits used to buy things and to show their value

Types of money

Money comes in the form of **banknotes** *BrE/bills AmE*, which are also called **paper money**, and **coins**. **Cash** can refer to money in general or to money in the form of banknotes or coins, but not cheques, credit cards, and others: *The government has pledged more cash for the Health Service. He paid in cash.* Money in electronic form, known as **e-money/e-cash/e-currency**, can be used to buy things on the Internet instead of using a credit card. Money stored on a smart card that you can use to buy goods in a shop is also called e-money. **Legal tender** is the banknotes and coins that are officially used in a particular place: *The notes ceased to be legal tender in August of this year.* The **denomination** of a banknote or coin is the value that is shown on it: *A lot of our customers request small denomination notes because they are useful for tips.*

Currency is the type of money used in a particular country: *Your bank can supply you with foreign currency.*

Convertible currency [C, U] a currency that can be freely exchanged for another: *Croatia has created a strong, convertible currency backed by growing foreign currency reserves.*

Domestic currency also **local currency** [C, U] the currency of the home country of a particular user: *An importer might be able to make payment in his own domestic currency if this is acceptable to the exporter.*

Floating currency [C, U] a currency whose value is allowed to change in relation to other currencies: *The South Korean won had its first day as a fully floating currency yesterday, increasing in value against the US dollar.*

Foreign currency [C, U] a currency or currencies not belonging to your own country: *Exports will bring in valuable foreign currency*

Non-convertible currency also inconvertible currency [C, U] a currency that cannot be exchanged for other currencies: *There is no guarantee that earnings in the local, non-convertible currency, the Dong, can be exchanged for hard currency.*

Paper currency [C, U] a currency based on paper notes rather than on gold and silver coins: *The creation of a paper currency was central to the financial revolution and the growth of commerce.*

Single currency [C, U] the euro, the common currency introduced in many European Union countries in 1999: *Some countries in the EU, such as Britain, have still not joined the single currency.*

Banknote / bank note BrE also **bank bill** AmE n [C] a piece of printed paper money made available by a country's main bank: *Only the country's central bank has the right to issue banknotes.*

Bank deposits money held in banks

Coin n 1 [C] a piece of metal, usually flat and round, that is used as money: *Since the introduction of the £1 coin, the smallest English note is £5.*

2 [U] money in the form of metal coins: *They found \$1,000 in coin.*

Coin v [T] 1 to make pieces of money from metal

2 BrE **informal coin money / coin it in** to earn a lot of money very quickly: *Top footballers have been coining it in for years.*

Collocations:

- **money laundering** n [U] when money that has been obtained illegally is put into legal businesses or bank accounts in different countries, so that it is difficult for people to discover where it came from: *They will now face trial on money laundering charges;*
- **to make money to gain money:** *As an estate agent, he made a lot of money buying houses cheaply and reselling them.*
- **to save money:** *People are eating out less to save money;*
- **to spend money:** *Americans spent more money even though they earned less;*
- **to borrow money:** *You should borrow money from the bank to pay for your course;*

- **to pay money (for sth);**
- **to raise money to obtain it for a particular purpose:** *He has picked a difficult time to raise money from outside investors;*
- **to earn money:** *He doesn't earn very much money;*
- **to have money:** *He didn't have any money on him;*
- **to bring in money:** *They hoped the scheme would bring in quite a bit of money;*
- **to get money/ receive money:** *She'll have to get some more money from somewhere;*
- **to owe money to have not yet paid money you borrowed;**
- **to charge money:** *ABC bank charges huge amounts of money for its services;*
- **to bank money/ deposit money/ pay in:** *Small shopkeepers bank their money at the end of the day;*
- **to draw out money/ get out money/ withdraw money/ take it out;**
- **to invest money:** *I sensibly invested my prize money rather than spending it;*
- **to lose money not to make a profit, so that a business owes more than it earns:** *The company is losing money and may have to close down;*
- **to lend money:** *Could you lend me some money?;*
- **to provide sb. with money;**
- **big money:** *There is big money in tennis for the top players;*
- **easy money** *money that you earn very easily, without having to work hard: People were tempted into the trade by the thought of easy money.*

2.1.2. Introducing banking

Banking *n* [U] the business activity of accepting and safeguarding money owned by other individuals and entities, and then lending out this money in order to earn a profit: *The banking industry will strongly oppose these new regulations.*

Consumer 'banking also **retail banking** the part of a bank's work that is concerned with providing services to members of the public, rather than to businesses or large organizations

Investment banking the work done by **investment banks**

Offshore banking when banks are based abroad in a country where you pay less tax than in your own country: *Government officials dislike the rise of offshore banking. Cyprus is becoming an international offshore banking centre.*

Universal banking when a bank performs a range of banking activities: *Banco Central is a classic institution of the universal banking type, covering all areas of banking and with a strong industrial portfolio.*

Home banking a service provided by banks that allows people to pay money from one account into another, pay bills by email or telephone: *Many people use their computers for home banking and home shopping.*

Bank *n* [C] a business that makes its profit by paying interest to people who keep money there and charging a higher rate of interest to borrowers who borrow money from the bank. Different types of bank provide a variety of other financial services: *The major banks have announced an increase in interest rates.*

Things you do at the bank

- **pay money into your bank account** put money in your bank account;
- **withdraw money from your bank account** take money out of your bank account;
- **cash a cheque *BrE* / check *AmE*** exchange it for cash;
- **pay in a cheque *BrE* / check *AmE*** give your bank a cheque that is payable to you, so that money goes into your bank account;
- **check your balance** find out how much money is in your bank account;
- **transfer money to someone else's/ your account** move money from your account to another account, either another one of yours or someone else's;
- **use an ATM/ cash machine *BrE* / cash dispenser *AmE*** put a card into a machine to obtain cash from your bank account;
- **arrange a loan** ask a bank to lend you some money;
- **arrange an overdraft *BrE*** make an arrangement with your bank to spend more money than you have in your account;
- **order foreign currency** ask your bank to get you some foreign money.

Agent bank the bank, which has been chosen to look after a **syndicated loan** (a loan to one borrower by many lenders), sending interest payments to lenders

Agricultural bank a bank that lends money to farm-ers, often over a long period of time and at low rates of interest

Banker's bank a bank offering services to other banks: It has positioned itself as a banker's bank, handling other banks' processing and cash management business in the region.

Central bank also **reserve bank** the official bank of a country, which is responsible for supervising the activities of banks operating in the country, setting interest rates, controlling the MONEY SUPPLY, producing banknotes and making money available, and keeping the country's supply of foreign currency and gold: *China's central bank said that a further decline in interest rates is unlikely. Germany has no plans to sell gold from its central bank reserves.*

Clearing bank *BrE* one of the High Street banks that ISSUES and accepts cheques and passes them through the banking system

Commercial bank 1 a bank involved in international trading and providing services for businesses and organisations rather than for individuals

2 a bank owned by shareholders rather than by a government

Confirming bank also **confirming house** a bank, which promises to make payment for goods bought by an importer if the importer has documents to show that the goods have been sent and that they will accept the goods

Co-operative bank a bank that lends money, collected from its members, at low rates of interest

Credit bank a bank that lends money to businesses and individuals

Development bank a bank that gives loans to help increase business, trade, and industrial activity in a particular country or area: *The Inter-American Development Bank was established in 1959 to accelerate economic and social development in Latin America.*

Discount bank a bank that buys bills of exchange (documents ordering someone to pay a particular amount on a fixed date), often relating to trade

Eligible bank in Britain, one of the banks officially approved to accept certain bills of exchange that the Bank of England will then accept: *Bills accepted by banks designated as eligible banks by the Bank of England become first-class bills which the Bank of England is willing to deal in on the market.*

Export-Import Bank also **Eximbank** a US bank set up to encourage companies to export their goods by offering them loans at reduced rates of interest, *guaranteeing* loans made to them by other banks and giving credit to foreign borrowers so that they can import goods: *Export-Import Bank financing of business with China.*

Foreign bank a bank based in another country

High Street bank *BrE* a bank that has branches in many towns and cities: *Several High Street banks have already announced a cut in interest rates.*

Investment bank a bank that buys stocks and shares and then sells them to members of the public. Investment banks also offer advice on things such as **MERGERS** and **TAKEOVERS**: *The company announced it had hired an investment bank to explore options, including the possible merger with another entity.*

Joint-stock bank a bank, which is a public company with shares owned by investors rather than a government

Lead bank a financial institution that organizes syndicated loans

Merchant bank a bank that deals with business rather than the general public. Merchant banks advise on and arrange finance for investment and takeovers, and advise financial institutions on where to make investments: *Most leading merchant banks have established their own property investment departments.*

Mutual savings bank in the US, a savings bank that is owned by the people who put their savings into it and does not have shareholders

National bank in the US, a bank that operates in several parts of the country rather than at local level. National banks must be members of the Federal Reserve System

Paying bank a bank that is responsible for paying the amount of money on a cheque relating to one of its customer's accounts: *A County Court has decided that a paying bank is under no obligation to pay a forged cheque even if it is supported by the bank's guarantee card.*

Private bank a bank, which is a small limited company

Retail bank a bank that provides services to individual customers rather than to businesses or large organisations

Savings bank a bank where people can save small amounts of money and receive interest on it. Savings banks do not offer other general banking services

State bank in the US, a bank that is controlled by the laws of a state rather than of the whole country. Unlike a National Bank, a state bank does not have to be a member of the Federal Reserve System: *He needed the funds to secure a personal loan at Iowa State Bank.*

Stock savings bank in the US, a savings bank that invests small amounts of money for people and is owned by shareholders

Universal bank *a bank that performs a range of banking activities: A universal bank is a one-stop supplier, for all financial products and services.*

Bank v 1 [T] to put or keep money in a bank: *Did you bank that check? He banked rather than spent \$3,800 in tax refunds.*

2 [I] to keep your money in a particular bank: + **with** *Some families have banked with Hoare since the 17th century.*

Bankable *adj* profitable and valuable: *If I didn't believe this was a bankable transaction, I wouldn't have made this decision.*

2.1.3. Jobs in banks

Corporate banker one who provides advice to commercial and private clients about a variety of financial matters and promote financial services/products. Corporate bankers are employed by clearing/commercial banks, the Bank of England, the Financial Services Authority (FSA) and other banking sector firms. Their responsibilities include:

- meeting with and interviewing corporate and personal customers, discussing their financial requirements, and providing appropriate financial advice
- monitoring accounts
- assessing and reviewing financial circumstances

- authorising and evaluating overdrafts and loans including mortgages
- preparing lending agreements
- promoting the bank's services
- problem solving
- planning
- writing reports
- managing projects
- maintaining records
- recruiting, training and supervising junior banking staff.

Credit analyst one who assesses and makes decisions about customer credit applications using a range of criteria including purpose of application, credit viability, customer payment history, customer credit-worthiness: *Credit analysts must be able to handle very high levels of responsibility in their jobs - some lending proposals may be for amounts as great as €50,000,000.*

Employers of credit analysts include commercial, investment and foreign banks, building societies, investment/asset management companies, insurance companies and specialist credit rating agencies (for example, Standard and Poors, Dunn and Bradstreet). Typical tasks include:

- gathering information
- reading financial briefings
- assessing, analysing and interpreting complicated financial information
- undertaking risk assessment analysis
- visiting clients
- keeping company credit exposures within set risk bearing limits
- using credit-scoring systems for small credit amounts (such as small unsecured personal loans)
- keeping knowledge of key issues up-to-date (for example legal, market risk and compliance issues)
- helping to enhance the quality of credit applications
- making recommendations about procedural/policy changes.

Investment banker one who is responsible for the efficient, accurate, profitable and risk-free clearing and settlement of bank transactions for corporate and government clients. Typical responsibilities of the job include:

- supervising a team of clerks
- liaising with clients and other bank divisions
- collating and analysing systems information
- troubleshooting problems
- pinpointing ways of improving and developing systems
- ratifying data flows and ensuring accuracy (operations control)
- helping to maximise efficiency and bank profitability
- ensuring that transactions are cleared and settled correctly
- managing day-to-day banking processes
- managing projects
- checking daily transaction reports
- co-ordinating systems testing.

Investment fund manager one who provides financial advice and services to private and corporate clients about a range of investment matters including buying and selling unit/investment trusts and shares/bonds. Investment fund managers work very closely with investment analysts – fund managers take decisions about investments, while analysts provide them with financial information and recommendations that enable such decisions to be made. Typical tasks include:

- regularly meeting with investment analysts and company managers to discuss financial matters
- researching companies
- gathering information
- reading financial briefings (often written by investment analysts)
- making informed financial recommendations and decisions
- keeping knowledge up-to-date about the UK economy, current financial news, financial markets and more
- assessing and interpreting complicated financial information
- liaising with clients.

Retail banker one employed by major clearing banks to undertake the strategic and day-to-day management of their branches. Typical responsibilities of the job include:

- recruiting, training, supervising and appraising banking staff
- discussing the financial requirements of, and providing financial advice to personal and business clients
- assessing and reviewing financial circumstances
- forging and maintaining good links with the local community

- authorising and evaluating overdrafts and loans
- developing a network of local business contacts
- promoting the bank's services
- problem solving
- planning
- writing reports
- managing budgets
- maintaining statistical and financial records
- dealing with complaints.

2.2. Banking Products

2.2.1. Cash management

Cash management *n* [U] **1** handling the bank's cash business

2 keeping enough cash on hand to handle the bank's cash business plus the cash reserve dictated by the bank's policy. Cash on hand plus cash deposited minus cash paid out equals net cash on hand. To ensure that the net cash on hand meets the bank's needs, the cash manager must estimate with fair accuracy the amount of cash to be deposited as well as the future cash demand. Cash is ordered from the country's central bank and excess cash is returned there

Account *n* **1** [C] written abbreviation **a/c** or **acct** an arrangement between a bank and a customer that allows the customer to pay in and take out money; bank account

2 no account words written on a cheque to show that the account to which it relates has been closed

Cheque account *BrE*, **checking account** *AmE* also **current account** *BrE* also **cash account** [C] an account that allows the customer to use a **chequebook** and provides services such as bill payments: *It's better to transfer large amounts of money out of your cheque account.*

Credit account *BrE* written abbreviation **C/A** [C] an arrangement with a shop that allows customers to buy goods up to a certain value every month and pay for them later within an agreed time; also **charge account** *AmE*: *My parents had a credit account at the city's major department store which they kept up to date every month.*

Collocations:

- **to open an account** to start one: *He used his first pay check to open an account.*
- **to hold an account** to have one: *75% of people have held an account with the same bank for ten years or more.*
- **to close an account:** *They were unhappy with service at the bank and closed their account there.*
- **to pay on account** to put money in the bank account: *We'll pay you half of your fee on account.*

Payee *n* [C] the person or organisation to whom money, especially a cheque, must be paid: *The Eurocheque is free of charge to its payee. Reports can show transactions by date, amount or payee.*

Payer also **payor** *n* [C] a person or organisation that pays a particular bill, debt: *Further tax relief is given to mortgage payers.*

Bad payer a person or organisation that does not pay their bills: *Credit agencies always check whether someone has been a bad payer in the past.*

Paying-in book/slip, payslip BrE also **deposit book, deposit slip** a special book or piece of paper that a customer fills in when they put money in their bank account: *When you want to pay cash or cheques into your account complete one of the paying-in slips provided.*

Cash *n* [U] **1** money in the form of notes and coins, rather than cheques, credit cards: *I'm bringing \$400 in traveller's cheques and \$100 in cash. All deals are done in hard cash or by bank transfer.*
Petty cash a small amount of cash that is kept in an office for making small payments: *In a small office, items like stationery and coffee are usually paid for out of the petty cash.*

2 pay cash to pay for something immediately with money or a cheque, rather than at a later time: *Are you paying cash or do you have an account?*

3 money rather than shares, bonds: Instead of paying cash for their bonds, they can offer bondholders common shares. The real debt crisis won't come until next year, when it must start paying cash instead of paper to some debt holders.

4 money that is immediately available, for example in bank accounts or in the form of shares that can be easily sold: *The company has \$1 billion in ready cash and the ability to borrow much more.*

Collocation: to pay (in) cash: *He'll have to pay cash for the tickets.*

2.2.2. Acquiring

Acquiring undertaking bank card business

Acquiring bank (or acquirer) the bank or financial institution that accepts credit and or debit card payments for products or services on behalf of a merchant. The term **acquirer** indicates that the bank accepts or acquires transactions performed using a credit card issued by all banks within the card association scheme. The best known (credit) card Association schemes are Visa, MasterCard, American Express, Diners Club, JCB and China UnionPay

Card n [C] a small piece of plastic or paper that shows that someone belongs to an organisation: *All members are issued with a membership card.*

Bank card also banker's card a cheque card, cash card, or debit card given to you by a bank: *The bank is putting photos of its clients on bank cards in order to fight card fraud.*

Cash card a plastic card that you use for getting money from a machine at a bank

Cheque (guarantee) card BrE also check (guarantee) card AmE a plastic card that you show when paying for something by to prove who you are and to show that your bank has promised to pay your cheques up to a certain amount: *Personal cheques will only be accepted if accompanied by a valid cheque card.*

Credit card a plastic card that you can use to buy goods. At the end of each month you pay all or part of the total amount you have spent, and interest is charged on any amount not paid: *He paid by credit card. What is your total credit card debt?*

Debit card a plastic card, which is used instead of money or a cheque to pay for goods and services. The cost is taken directly from the user's bank account. Debit cards can also be used to obtain money from cash machines

Standard card classic card

Gold card, platinum card credit cards that give you extra advantages or services, such as a high spending limit: *Offers for free interior design consultations were sent to American Express gold card holders.*

APR abbreviation for **annual percentage rate** the annual equivalent rate of return on a loan or investment in which the rate of interest specified is chargeable or payable more frequently than annually

Plastic card *informal* a credit card, cash card, cheque card, or store card

Corporate credit card a card to the employees of the bank's corporate customers

Collocations:

- **to pay by card:** *She paid for her holiday by credit card.*
- **to put sth on a card:** *I'll put the meal on my card.*
- **to accept, take cards:** *The restaurant accepts all major credit cards.*
- **to issue (sb with) a card:** *The bank hasn't issued me with a cheque card yet.*
- **to qualify for a gold card.**
- **card number.**
- **card holder** *n* [C] someone who has a credit card: *Each card holder has a set limit that can be borrowed at any one time.*
- **card fraud, credit card fraud:** *He had a criminal conviction for credit card fraud.*
- **card issuer** a person or organisation that serves a card.

ATM *AmE*, **cash machine** *AmE*, **cash point** *AmE* also **cash dispenser** *BrE* *n* [C] automated teller machine or automatic teller machine; an electronic machine inside or outside a bank, which customers use by means of a special card and a code number, to take out money and to get information about the accounts: *Obtaining cash by credit card incurs a commission whether it's across the counter or at an ATM.*

PIN *n* [C] also **PIN number** personal identification number; a secret number given to you by your bank that you use when getting money from a cash machine with a card: *We will notify you of your PIN shortly after the account is opened. Never tell anyone your PIN number.*

2.2.3. Deposits

Deposit *n* [C] an amount of money paid into a bank account or held in a bank account, especially when it is earning interest: *Residents have some \$4 billion in deposits in local financial institutions. The Hong Kong bank had more than US \$1 billion on deposit when it was closed.*

Collocations:

- **deposit account** [C] a bank account in which money can be held and will earn interest;
- **to give sb a deposit;**
- **to pay sb a deposit;**
- **to pay interest on deposit;**
- **to make a deposit** – to put money on the deposit account: *She made a deposit of €100 into her account;*
- **to get back a deposit** – to pay back a deposit;
- **cash deposit/ dollar, sterling, euro, hryvnya deposit;**
- **eurodollar deposits** [plural] US dollars held by banks outside the US on which interest is paid: *Six-month eurodollar deposits yield 5.58%, compared with 8.137% for equivalent euro deposits;*
- **short-term deposit/ long-term deposit.**

Depositor *n* [C] a person or organisation that puts money into a bank account so that it can be held there and earn interest

Interest *n* [U] the charge made for borrowing a sum of money. The **interest rate** is the charge made, expressed as a percentage of the total sum loaned, for a stated period of time (usually one year). Thus, a rate of interest of 15% per annum means that for every \$100 borrowed for one year, the borrower has to pay a charge of \$15, or a charge in proportion for longer or shorter periods. In **simple interest** the charge is calculated on the sum loaned only. In **compound interest** the charge is calculated on the sum loaned plus any interest that has accrued in previous periods. These calculations of interest apply equally to deposits that attract income in the form of interest.

Collocation: to earn interest to make a profit

2.2.4. Loans

Loan *n* [C] money borrowed from a bank, financial institution, person on which interest is usually paid to the lender until the loan is repaid: *Citibank will provide loans of \$50,000 to \$250,000 to small contractors.* A loan is a form of **debt**. A **borrower** receives money from a **lender** which they pay back in **instalments** BrE/ **installments** AmE (a series of regular payments that are made until all of the loan has been paid back). Loans are provided by **financial institutions**, such as banks, who charge **interest**. The **interest rate** usually depends on the type of loan. You usually pay a lower **rate of interest** on a **secured loan** than on an **unsecured loan**. An example of a secured is a **mortgage** (a loan to buy a property). If you do not make your regular payments on a mortgage, the lender normally has the right to take the property and sell it in order to get back their money. Examples of an unsecured loan include an **overdraft** BrE (an arrangement between a bank and a customer allowing them to take out more money from their current account than they have in it), a **personal loan**, and money owed on a **credit card**

Collocations:

- **service a loan** **a)** to make repayments on a loan: *With rising sales, he saw no problem servicing the loans;* **b)** to collect repayments on a loan for another organization: *Many lenders continue to service loans they have sold into the secondary market;*
- **refinance a loan** to replace an old loan with a new one: *Home-owners rushed to refinance and prepay their loans at lower interest rates.*

Loan account an account opened by a bank in the name of a customer to whom it has granted a loan, rather than an overdraft facility. The amount of the loan is debited to this account and any repayments are credited; interest is charged on the full amount of the loan less any repayments. The customer's current account is credited with the amount of the loan. With an overdraft facility, interest is only charged on the amount of the overdraft, which may be less than the full amount of the loan.

Line of credit also **credit line** an arrangement in which a bank or vendor extends a specified amount of secured credit to a specified borrower for a specified time period

Collocations:

- **principal of the loan** – the original amount of a loan, not including any of the interest that is paid: *No principal is due for repayment until next year;*
- **extended loan given loan;**
- **large/massive loan;**
- **long-term/short-term loan;**
- **low-interest loan;**
- **interest-free loan;**
- **secured/opposite unsecured loan:** *As it was an unsecured loan, their property was not at risk;*
- **outstanding loan;**
- **personal loan** – a loan to a private person by a bank for domestic purposes, buying a car, etc. There is usually no security required and consequently a high rate of interest is charged. Repayment is usually by monthly instalments over a fixed period. This is a more expensive way of borrowing from a bank than by means of an overdraft;
- **bank loan** also **bank advance** a specified sum of money lent by a bank to a customer, usually for a specified time, at a specified rate of interest. In most cases banks require some form of security for loans, especially if the loan is to a commercial enterprise, although if a bank regards a company as a good credit risk, loans may not be secured;
- **bridging loan** – a loan taken on a short-term basis to bridge the gap between the purchase of one asset and the sale of another;
- **temporary loan;**
- **to apply for a loan/ask for a loan/request a loan/arrange a loan;**
- **to get a loan/receive a loan/raise a loan/take out a loan;**
- **to give sb. a loan/grant sb. a loan/make sb. a loan:** *The bank recently made a loan to the company for a new warehouse;*
- **to pay off a loan/repay a loan** to pay it back: *The couple took out and repaid several loans to build up their business;*
- **to secure a loan.**

2.2.5. Trade finance

Bank guarantee a promise by a bank to repay a loan if the original borrower defaults: *The bank guarantee for the loan was not put in place until days before the company purchased the site.*

Collocations:

- to carry a guarantee/come with a guarantee/have a guarantee;
- to give sb. a guarantee/issue a guarantee/offer sb. a guarantee

Letter of credit written abbreviation l/c *n* plural **letters of credit** [C] 1 in foreign trade, a written promise by an importer's bank to pay the exporter's bank on a particular date or at a particular time after the goods are sent by the exporter: *Coffee buyers in Central America are required to have proof of financing, such as a letter of credit.*

confirmed letter of credit a letter of credit that a bank promises to pay, even if the bank that made it available does not. This gives exporters more confidence that they will receive payment

irrevocable letter of credit a letter of credit that the importer's bank cannot refuse to pay, even if, for example, the importer says there is a problem with the goods: *The irrevocable letter of credit confirmed on a US bank surely saved us from a very bad debt situation.*

revocable letter of credit a letter of credit that importer's bank can refuse to pay, if, for example, there is a problem with the goods

standby letter of credit a written promise by a bank to pay a bill if the person or company that should pay fails to do so

2 when bonds are sold, a written promise by a bank that it will repay the bonds to lenders if the borrower is unable to repay them: *The notes are backed by a letter of credit from Morgan Guaranty Co.*

Collocations:

- to establish a letter of credit;
- to open a letter of credit;
- to issue a letter of credit.

Beneficiary *n* [C] a person who receives money from the proceeds of a letter of credit

2.2.6. Internet banking

Internet banking the services provided by banks that only exist on the Internet: *Internet banking allows customers to carry out transactions, money transfers and other business 24 hours a day.*

Online banking also **electronic banking** a service provided by banks that allows people to pay money from one account to another, pay bills over the Internet: *With electronic banking consumers can pay credit card, utility and other bills and check their bank accounts using their PC.*

Online bill paying a system of paying bills directly from an account using the internet

Functions of Internet banking:

- to do online banking
- to deal with payment codes
- to process payments
- to provide balance inquiries
- to make bill payments
- to offer online loan
- to exchange financial documents
- to carry out transactions, to perform transactions
- to perform account transfers
- to serve online accounts
- to do financial monitoring
- to maintain reference books of banks.

Digital signature also **electronic signature** [C] information on an electronic message that proves who the person sending the message or information is: *A digital signature identifies and authenticates the originator of the information.*

2.2.7. Securities

Security [C] a financial investment such as a bond or share, or the related certificate showing who owns it.

Share n 1 [C] one of the parts into which ownership of a company is divided: *Friendly companies and banks hold 56% of all shares in Germany's listed companies.*

When a company issues shares or **AmE stocks**, *it makes them available for people to buy for the first time. The process of issuing shares in order to obtain money for investment is called equity financing. Shareholders/AmE stockholders* are people who buy and own shares, and they receive a **dividend** (a part of the profits of a company) for every share they own. When a company makes its

shares officially available, they are **listed** on a **stockmarket** or *BrE* stock exchange. A **stockbroker** is a person or company whose job is to buy and sell shares, **bonds**, **derivatives** for themselves and investors. A share price/stock price can **fluctuate** (increase or go down often or regularly). A **bull market** is a financial market in which share prices are rising, especially over a long period of time and a **bear market** is one in which share prices are falling.

2 (Class) A/B/C shares [plural] **finance** different classes of a company's shares. Each class has different characteristics, for example the right to vote at shareholders' meetings: *You can buy Class A shares of each of the Funds at the offering price. Class B shares typically do not charge a frontend sales charge.*

Collocations:

- **to issue shares/stocks** make available and sell: *The company has the right to issue shares in two series;*
- **to have shares/hold shares** (formal)/**own shares**;
- **a block of shares** a large quantity, usually more than 10,000: *Top-ranking officers in the company sold a block of shares on Monday when the price was high;*
- **equity financing**;
- **listed shares**;
- **a bull market**;
- **a financial market**;
- **a bear market**;
- **blue chip share** also **blue chip stock** – a share in a well-managed company with a large amount of paid up capital and a long record of paying profits to shareholders during good and bad economic conditions;
- **to trade in shares/bonds** buy shares/bonds, purchase shares/bonds, sell shares/bonds;
- **to acquire shares/get shares**;
- **to invest in shares**;
- **to deal in shares.**

Shares can:

- **float**
- **outperform** – be more successful: *Stock generally out perform other investments.*
- **come up in a price**
- **come down in a price.**

Bond *n* [C] an amount of money borrowed by a government or an organisation. The government or organisation produces a document promising that it will pay back the money that it has borrowed, usually with interest. The document, which can be bought and sold, is also called a bond: *Many investors switched out of shares into bond yesterday.*

Derivative *n* [C usually plural] something such as an **option** (the right to buy or sell something at a particular price within a particular period) or a **future** (a fixed price that you pay now for delivery of something in the future) based on underlying assets such as shares, bonds, and currencies: *Derivatives often offer investors an easy way to make bets in markets that might be otherwise inaccessible.*

Check Tests on Banking

Check Test 6 (covering "Introducing Banking")

A Complete each sentence with the correct words.

- 1 The amount stored on your card or in your bank account, is called the
- 2 With Visa card, you can money from one card to another.
- 3 He has settled some of his debts, but he still \$ 10,000.
- 4 Some banks their customers for services, in order to cover their costs.
- 5 Remember that when selecting a, whether it's standard, gold or platinum, it's the APR, introductory offers and rewards which are key – not the relative status of one card over another – that you should take into consideration.
- 6 Americans refer to current accounts as accounts.
- 7 In law, the is the party receiving the payment.
- 8 The money will be credited to your tomorrow.
- 9 card is a plastic card with your signature on that you can use to pay for things.
- 10 A person who works in the management of an investment bank is called an
- 11 see no signs that the health of companies that issue junk bonds will improve any time soon.
- 12 A wide-ranging term for theft using a credit card is

B Choose the best answer: a, b, c or d.

- 1 If you pay by credit card, you have to authorise the transaction by signing a
 - a) payslip
 - b) pass book
 - c) deposit
 - d) transfer
- 2 One of the functions of a central bank is to the activities of banks operating in the country and to make sure that their customers are protected.
 - a) supervise
 - b) control

- c) review
 - d) check
- 3 When a tries to prevent inflation, it is said to be maintaining price stability.
- a) central bank
 - b) confirming bank
 - c) agent bank
 - d) credit bank
- 4 Banks which provide basic services to individuals and businesses through their branch network are called
- a) investment banks
 - b) high street banks
 - c) merchant banks
 - d) commercial banks
- 5 He was sentenced to five years in prison for money
- a) borrowing
 - b) raising
 - c) conducting
 - d) laundering
- 6 is similar to the electronic fund transfers done between banks.
- a) easy money
 - b) legal tender
 - c) e-cash
 - d) bank bill
- 7 The bank should hold enough to satisfy customer demand
- a) money
 - b) reserves
 - c) cash
 - d) gold
- 8 is operated by cash cards or multifunctional cards in conjunction with a PIN.
- a) ATM
 - b) ATP
 - c) ATX
 - d) AST

- 9 Dealing with bank card business is called
- investing
 - acquiring
 - borrowing
 - banking
- 10 If the investment picks the right mix of bonds, his total return should rise quickly.
- fund manager
 - line manager
 - money manager
 - portfolio manager
- 11 The clearing bank has a vacancy for a to undertake the strategic day-to-day management of one of its branches.
- retail banker
 - investment banker
 - corporate banker
 - fund manager
- 12 We can buy it for 50 euros and sell it for 100 euros – money.
- big
 - easy
 - prize
 - pocket

Check Test 7
covering “Banking Products”

- A** Complete each sentence with the correct word or words.
- If you want to borrow money to buy a house, you should ask the bank for a
 - The bank has raised its to 6%.
 - If you haven’t enough money in your account to pay your bills, you’ll have to ask for an
 - Whereas you pay interest on a mortgage, you interest on a savings account.
 - An undertaken given by a bank to settle a debt if the debtor fails to do so is called bank
 - An letter of credit cannot be cancelled by the person who opens it.

- 7 A is commonly used for financial transactions, and in other cases where it is important to detect forgery or tampering.
- 8 To reduce or alter risk may be one of the reasons to a loan.
- 9 An official document promising that a government or company will pay back money that it has borrowed, often with interest is a
- 10 The most common are futures contracts and options.
- 11 A situation in which the value of stocks is decreasing is a market.

B Choose the best answer: **a, b, c** or **d**.

- 1 The bank granted a loan for a two-year
 - a) repayment
 - b) rate
 - c) time
 - d) term
- 2 Stocks, shares and bonds can collectively be called
 - a) equities
 - b) securities
 - c) gilts
 - d) share capital
- 3 To sell its shares to the general public, a company must be on the stock exchange.
 - a) put
 - b) taken
 - c) listed
 - d) drawn
- 4 The person who will receive a payment is called the
 - a) drawer
 - b) receiver
 - c) beneficiary
 - d) debtor
- 5 means allowing a currency to find its true level against other currencies.
 - a) Floating
 - b) Holding up
 - c) Bouncing
 - d) Picking up

- 6 The shares recommended by analysts usually the average stock.
- a) generate
 - b) exceed
 - c) underperform
 - d) outperform
- 7 By issuing a , the bank made an undertaking to pay the exporter for the goods, provided that the correct documentation was presented.
- a) bill of lading
 - b) advice note
 - c) debit advice
 - d) letter of credit
- 8 If a could be available for low interest, or none, this may be something to consider.
- a) instalment
 - b) loan
 - c) mortgage
 - d) deposit
- 9 The ability to pay down debt years sooner by avoiding the interest on all your debts is worth it.
- a) simple
 - b) add-on
 - c) compound
 - d) accrued
- 10 typically have lower interest rates than a credit card so if you have one, or can get one, moving some of your debt there is a good idea.
- a) debit cards
 - b) product lines
 - c) smart cards
 - d) credit lines
- 11 banking through traditional banks enable customers to perform all routine transactions, such as account transfers, balance enquiries, bill payments, and stop-payment requests, and some even offer online loan and credit card applications.
- a) offshore
 - b) online

- c) investment
- d) home

12 The Hong Kong bank had more than US \$ 1 billion on when it was closed.

- a) deposit
- b) credit
- c) debt
- d) e-money

Answer Key

Check Test 6

A

1	balance
2	transfer
3	owes
4	charge
5	card
6	check
7	payee
8	account
9	Debit
10	investment banker
11	Credit analysts
12	credit card fraud

B

1	a
2	a
3	a
4	b
5	d
6	c
7	c
8	a
9	b
10	a
11	a
12	b

Check Test 7

A

1	mortgage
2	interest rate
3	overdraft
4	earn
5	guarantee
6	irrevocable
7	digital signature
8	refinance
9	bond
10	derivatives
11	bear

B

1	d
2	b
3	c
4	c
5	a
6	d
7	d
8	b
9	c
10	d
11	b
12	a

3. ACCOUNTING

3.1. Introducing Accounting

3.1.1. Account

Account n 1 [C] an arrangement with a bank in which the customer puts in and takes out money and the bank keeps a record of it: *\$25,000 in inventory was purchased on account from suppliers in July.*

Collocations:

- **joint/ separate account:** *It's better to have separate accounts and feed money into a joint account for shared bills;*
- **business/ personal account:** *Each month I transfer money from my business account to my personal account;*
- **deposit/ savings account;**
- **credit account** an agreement with a store or company that allows you to buy things and pay for them later;
- **to charge sth to an account:** *Jenny got the bill and said she'd charge it to the company account;*
- **to close/ open an account (with sth):** *When she starts school we're opening an account in her name and we'll put money into it each year. If you open an account with the store you save 10%;*
- **to deposit/ pay money into an account:** *Anna could deposit her savings into an account offering more interest;*

2 a record of money received, spent, or owed: *An account of travel expenses incurred by an employee must be submitted for reimbursement together with receipts.*

Accounts n 1 the set of official records that show the financial situation of a company and what it has spent, received, borrowed in a particular period: *The company's accounts reveal that its highest-paid director received a salary of €307,000.*

Collocations:

- **annual/ monthly/ quarterly accounts** *In its first full set of annual accounts, the company recorded a pre-tax loss of €93,377;*
- **latest/ most recent accounts** *The latest accounts for the year ending March 31 show that sales dipped by \$1.4m to \$19m.*

2 the department in a company or organisation that prepares its financial information: *I received a memo from a junior clerk in accounts.*

Accountancy n 1 [U] the job of being an accountant: *She chose to follow a career in accountancy after graduating an accountancy firm.*

2 the education that is needed to become an accountant: *The board claimed he did not have sufficient management expertise despite his accountancy qualification and experience.*

Accountant n [C] a person or company whose job is preparing the financial records of people, companies, or organisations: *According to figures compiled for accountant KPMG, year-on-year the negative trading statements were down 10%.*

3.1.2. Accounting

Accounting n 1 [U] the work of preparing the financial records of people, companies, or organisations

2 n [U] the job of being an accountant: *Accounting has always been a popular career for women.*

3 n [U] the education that is needed to become an accountant: *He attended Cleveland State University, where he earned a degree in accounting.*

Collocations:

- **accounting methods/ practices/ procedures:** *The lawsuit alleges that the company “has engaged in a pattern of questionable business and accounting practices”;*
- **accounting irregularities/ issues/ scandals:** *Shares in the group halved in January when it revealed accounting irregularities at its North American business.*

Creative accounting n [U] the use of methods of recording financial information about a company, which are legal but which do not show the real situation clearly, usually making the company seem more successful than it really is: *The book is a guide for investors on how to spot creative accounting techniques used in annual accounts to flatter profits.*

Accounting equation n [C] a mathematical statement showing that to calculate a company owners' equity you subtract its liabilities from its assets

Accounting period *n* [C] a period of time at the end of which a company prepares a financial report, for example after three, six, or twelve months: *At the end of the accounting period, the revenue accounts are totalled and the balance, positive or negative, transferred to the profit and loss account.*

Accounting principle *n* [C] a rule that a company or organisation must follow when it prepares its financial information: *The Board of Governors task force is trying to make sure good, sound accounting principles are being implemented.*

Accounting year *n* [C] a period of twelve months for which a company prepares its accounts. In the UK, this period often ends at the end of March

Financial accounting *n* [U] a type of accounting that deals with providing financial reports about a company's profits, debts, cash flow, so that investors, banks can measure the company's performance

Tax accounting *n* [U] accounting methods to prepare information on a person's income or a company's earnings for the tax authority, rather than, in the case of companies, for its executives, shareholders

3.1.3. Audit

Audit *n* 1 [C or U] an examination of the accounts of a business, usually by experts from outside the business: *A full audit is performed each year by a district auditor.*

2 [C or U] an official examination of the quality or condition of something

Collocations:

- **a performance/ quality/ skills audit:** *Departments must carry out an internal quality audit. Managers should undertake an audit of staff performance;*
- **to complete/ conduct/ do/ undertake an audit:** *We conduct an annual audit to ensure that we comply with standards.*

Continuous audit *n* [C or U] an examination of a company's accounts which is made regularly through the year rather than just at the end of the year: *A continuous audit can identify suspicious transactions when they occur rather than weeks or months later.*

External audit *n* [C] an official examination of the accounts of a company or organisation by an expert from outside: *He called for an external audit of the society's records.*

Green audit *n* [C] an examination of an organisation or an activity to check what it is doing to protect the natural environment: *All new projects will be subject to a green audit to ensure they are environmentally friendly.*

Auditor *n* [C] someone whose job is to examine the accounts of a business and to produce a report on them: *The accounts are audited once a year by an auditor.*

Collocations:

- **external/ internal/ independent auditor:** *The committee will appoint an independent auditor to examine the annual accounts;*
- **registered/ qualified auditor.**

Audit trail *n* [C] documents and records that show the history of a company's financial activities, examined by someone who is doing an audit (checking a company's accounts): *You should maintain an adequate audit trail of all transactions.*

3.1.4. Creditor

Creditor *n* [C] someone who money is owed to: *The company couldn't pay its creditors.*

General creditor *n* [C] a person or organisation that lends money, but does not have an agreement that allows them to take property or assets of the borrower if the loan is not paid back: *As a general creditor, you have to stand in line after creditors such as the Internal Revenue Service and the banks.*

Junior creditor *n* [C] a person or organisation that is owed money by a bankrupt company and that will not be paid back until others have been paid

Preferential creditor *n* [C] one of the people, businesses, to which a bankrupt company owes money that must be paid back before others: *Barclays Bank and the preferential creditors will be repaid in full, while unsecured creditors will receive 'substantial' payments.*

Credit policy *n* 1 [C or U] a set of principles that a financial organisation or business uses in deciding who it will loan money to or

give credit (the ability to pay for goods at a later time): *Bank regulators review bank credit policies as part of their regular examinations. The implementation of prudent credit policies and modern management techniques will take the company to sound health.*

2 [C or U] a set of actions that a government takes to influence how easy or difficult it is to borrow money

Collocations: to ease/ tighten (a) credit policy: *The U.S. currency was bolstered by hopes that Germany would ease its credit policy this month.*

Creditworthy *adj* used to describe a person, business, or government to which financial organisations are willing to lend money: *During a credit crunch, banks are reluctant to lend except to the most creditworthy borrowers.*

Creditworthiness *n* [U] *Your credit report includes your credit score, which gives lenders an instant picture of your creditworthiness.*

3.1.5. Assets

Assets *n* [plural] **BANKING** the money and property owned by a bank, and the money that is owed to it: *The bank assets at year end 2009 were 25% lower than at year end 2008.*

Capital assets *n* [C, usually plural] (also **fixed asset** *BrE*, also **chargeable asset**) something, such as land, buildings, equipment, which is owned by a company and which is used to produce income for the company: *The company's loans are secured by specific capital assets.*

Net current assets *n* [plural] a company's assets after its current liabilities (debts that must be paid within 12 months) have been subtracted from its current assets (assets that will be used or sold within 12 months): *Shareholder funds and net current assets were in the negative at the end of 2012.*

Ledger *n* [C] a book or a computer document in which a company's accounts are recorded, especially the money it has spent and received: *The loan appears not to have been entered in the ledger.*

Ledger clerk *n* [C] someone whose job is to add and check information relating to a company's accounts in a ledger

3.2. Fundamentals of Financial Accounting

3.2.1. Acquisition

Acquisition *n* [C] something that is bought by a company, such as another company, a building, or a piece of land: *There were many additional costs related to the company's acquisition of Walker Software.*

Collocations:

- **big/ large/ major acquisitions:** *If the company doesn't make any big acquisitions this year, it will hand back cash to shareholders;*
- **potential/ proposed/ recent acquisition:** *Investment banks were changing rapidly into financial supermarkets whose business increasingly revolved around mergers and acquisitions;*
- **to complete/ make an acquisition:** *Management intend to use the cash to make acquisition;*
- **to finance/ fund an acquisition:** *The company will fund the acquisition from its existing cash resources.*

3.2.2. Budget

Budget *n* 1 [C] a plan that shows how much money an organisation expects to earn and spend during a particular period of time, and how it will spend its money

Collocations:

- **project/ departmental/ corporate budget;**
- **annual/ monthly/ quarterly budget;**
- **to work on/ draw up/ establish a budget:** *Corporate planners are busy drawing up a budget for the next fiscal year.*

2 the amount of money you are allowed to spend for a particular purpose: *She was given a budget of \$5,000 a month to raise the four children.*

Collocations: **to cut/ reduce/ increase/ raise a budget:** *Local agencies were forced to cut their budgets by 50%.*

3 an official statement from the government which explains how much money it plans to collect in taxes and spend on public services during the next year: *The Chancellor will be announcing the Budget next week.*

Collocations:

- **state budget;**
- **federal budget;**
- **city budget;**
- **national budget.**

Balanced budget *n* [C] a budget in which the amount of money that is planned to be spent is no greater than the income to be received: *By law, the governor must propose and lawmakers must adopt a balanced budget.*

Budgetary [before noun] relating to a budget or to planning a budget: *Due to budgetary constraints, we are no longer hiring any more staff at this time.*

Collocations:

- **budgetary targets/ savings;**
- **budgetary problems;**
- **budgetary accounting** a method of accounting in which the amounts that a company planned to spend and the amounts it really spent are included in the accounts, so that you can see how much of the budget is left;
- **budgetary control** a method of controlling an organisation's budget by regularly comparing records of how much money it earns, spends, and needs, and then making changes to the budget if necessary: *It is important to develop budgetary control techniques within the company to clearly identify where profit is being made.*

Budget deficit *n* [C] the amount of extra money that a government needs because it has spent more money than it earned: *The White House says the federal government will run a \$9 trillion budget deficit over the next decade.*

Budget surplus *n* [C] the amount of extra money available to a government because it has spent less money than it earned: *The government has projected a budget surplus of €7 billion by April.*

3.2.3. Adjustments

Adjustment *n* 1 [C or U] a slight change to figures according to inflation, the time of year so that they can be compared in a useful way with other figures, or the act of making such a change: *The*

final plan will serve as an adjustment to the two-year budget approved last year. The population has been split into 10 equal groups, ranked by income, after adjustment for family size.

Collocation: to make an adjustment *This is a very, very big adjustment for us to make.*

2 the amount of money that an insurance company pays to a customer who has been involved in an accident, had something stolen: *After calculating what the adjustment should have been, they analyse how the insurance company adjustments deviated from reality.*

Debt adjustment *n* [C or U] the process of making a new legal agreement so a person, company, which is in financial difficulties can pay back its debt more easily. The agreement includes new plans about how, when, and to whom money should be paid: *a debt adjustment plan.*

Types of adjustments

Compensating error *n* [C] a mistake when calculating or recording accounts that is equal in amount to an opposite mistake so that neither affects the final total

Error of commission *n* [C] a mistake that consists of doing something wrong, such as including a wrong amount, or including an amount in the wrong place: *No liability is accepted for any errors of commission or omission on this website.*

Error of omission *n* [C] a mistake that consists of not doing something you should have done, or not including something such as an amount or fact that should be included: *Errors of omission are likely to be more common than errors of commission.*

Error of principle *n* [C] a mistake that consists of putting an amount into the wrong account in a set of accounts: *An error of principle is when a transaction affects the same type of account, so does not apply if a debit and credit account are involved.*

3.2.4. Profit

Profit *n* [C or U] money that is earned in trade or business, especially after paying the costs of producing and selling goods and services: *The group has had an uneven record in recent years, swinging back and forth between profits and losses. He will make a \$431m*

profit on the sale. Banks made new loans, then swiftly sold them off for profit, using the proceeds to extend still more.

Collocations:

- **after-tax/ pre-tax profit:** *Pre-tax profits rose 22.3% to €13.7m;*
- **an increase/jump/rise in profit;**
- **a drop/ fall in profit;**
- **big/ record/ strong profits;**
- **future/ short-term/ small profits;**
- **annual/ corporate/ taxable profits;**
- **pure profit;**
- **to make/ realize/ turn a profit:** *The company said it had made a profit of about €1.4bn on the deal;*
- **to sell sth at a profit:** *A realized gain occurs when we sell an investment at a profit;*
- **to report profits:** *In the year to March the company reported profits after tax of €900,000;*
- **to boost/ increase profits;**
- **profits fall/ increase/ rise:** *Sales and profits rose last year.*

Accumulated profit *n* [C or U] a part of the profit that a company has made but has not paid to shareholders

Book profit *n* [C or U] profit that has been made but that has not yet been taken, for example when shares have risen in value since they were bought but have not yet been sold: *If the land was revalued and stated in the balance sheet at its current market price, this would result in the company making a book profit.*

Gross profit *n* [C or U] a company's profit from selling goods or services before costs not directly related to producing them, for example interest payments and tax, are subtracted: *Gross profit for the quarter amounted to \$11.2 m.*

Net profit *n* [C or U] the money made by a company or part of a company for a particular period after all costs, taxes have been paid

Profitability *n* [U] the situation in which a company, product is producing a profit: *The report cited improvement in the bank's profitability in recent years.*

Collocations:

- **corporate/ declining/ future profitability;**
- **long-term/ short-term profitability;**

- **to boost/ improve/ increase profitability:** *It plans a major reorganisation of its corporate structure in an effort to boost profitability;*
- **to achieve/ drive/ reach profitability.**

Profitable *adj* producing a profit: *This is a highly profitable business.*

Collocations:

- **profitable business/ company:** *They are now among the most profitable companies quoted on the New York Stock Exchange;*
- **profitable market/ product;**
- **profitable growth;**
- **to be profitable for sb to do sth:** *Consumers need to convince farmers that it can be profitable for them to grow organic food.*

Profit before tax *n* [C or U] the profit that a company makes before tax has been paid: *Turnover was down 22% and profit before tax fell 9% to \$93.5m.*

Operating profit *n* [C or U] a company's profit from its normal business activities, not including any earned from investments or sales of assets, calculated by taking operating expenses away from gross income: *Last year, they made an operating profit of \$17m on revenues of \$1.54 billion.*

3.2.5. Loss

Loss *n* 1 [C or U] a situation in which you no longer have something or have less of something, or the process that causes this: *The loss of jobs in the convenience food industry seems inevitable. The new road will cause losses in economic value to many local properties.*

Collocations: loss of earnings/ income/ pay: *She received compensation for loss of earnings through the illness.*

2 a situation in which a business or an organisation spends more money than it earns, or loses money in another way

Collocations:

- **a loss in revenue;**
- **a net/ operating loss;**
- **a pre-tax/ after-tax loss;**
- **big/ financial/ heavy losses;**

- **to announce/ post/ report a loss (of sth):** *The company announced a loss of €1.3m last year;*
- **to incur/ make/ realise a loss:** *In a bid to attract customers, some insurers may even be making a loss on contracts marketed to certain key buyers;*
- **to operate/ run at a loss.**

Actual loss *n* [C] the money that is lost when something is sold, because it has gone down in value, or when costs and the effects of inflation are included: *I'll hold at the moment, because it's too much of an actual loss if I sell now.*

Annual loss *n* [C] a loss over a whole year of a company's accounts, even if a profit was made during some parts of the year: *The company reported an annual loss of \$48.3 million in 2010.*

Loss leader *n* [C] a product or service that is sold at a loss to attract customers for other products that are more expensive: *Other retailers are using the book as a loss leader to bring customers in the door.*

Loss-making *adj* relating to a business or part of a business that does not make a profit: *He controls a vast business empire, but many of his firms are loss-making.*

Collocations:

- **loss-making business/ company/ venture;**
- **loss-making activity/ contract/ operation.**

Profit-and-loss account *n* [C] a document that shows a company's profit or loss in a particular period: *This loss would be shown as a charge in the profit and loss account.*

3.3. Financial Statements

Financial statement *n* [C] a report provided by a company for its shareholders and investors that shows details of its financial situation, and includes documents such as the profit and loss account and balance sheet

Collocations:

- **annual/ quarterly/ year-end financial statement:** *The company's annual financial statement reported plans to spend up to \$120 million on improvements;*

- **to prepare/ publish a financial statement:** *There are various procedures that must be followed when preparing financial statements;*
- **to audit/ approve a financial statement:** *The interim financial statement was approved by the board of directors at their meeting last week.*

3.3.1.Tax

Tax *n* [C or U] (an amount of) money paid to the government that is based on your income or the cost of goods or services you have bought: *They're putting up the tax on cigarettes.*

Capital gains tax *n* [U] tax on the profits made from selling something you own

Corporation tax *n* [U] tax paid by businesses on their profits

Excise duty *n* [C or U] a tax on some types of goods such as alcohol, cigarettes, or petrol paid to a national or state government; excise duty/tax on sth: *a 5% excise duty on cigarettes.*

Luxury tax *n* [C or U] a tax on expensive goods that are not necessary but are bought for pleasure; a luxury tax on sth: *The government is considering imposing a luxury tax on jewellery.*

Progressive tax *n* [C, usually singular] a tax in which the rate of tax is higher on larger amounts of money: *In a progressive tax system, rich people pay a higher percentage of their income as taxes than do poor people.*

VAT *n* [U] abbreviation for Value Added Tax: a tax that is paid at each stage in the production of goods or services, and by the final customer. Businesses in the production process take away the cost of inputs (labour, materials) from the cost of outputs (products and services sold) to calculate the amount that they must pay: *You can pay as little as £600 plus VAT for a powerful PC.*

Tax avoidance *n* a legal way of reducing the amount of tax a person or company would normally pay: *The Inland Revenue estimates that it is losing at least £10 billion a year because of tax avoidance.*

Tax evasion *n* [U] illegal methods used by people or companies to reduce the tax they pay, or a particular situation where this happens: *He was arrested in October on charges of tax evasion and fraud.*

Collocations:

- **to be accused of/ charged with/ found guilty of tax evasion:** *Three executives were charged with tax evasion and harboring illegal aliens;*
- **to fight/ crack down on/ curb tax evasion:** *Government plans to crack down on tax evasion have met with protests from businessmen.*

Tax-exempt *adj* used to describe a product, service, or financial arrangement on which no tax is paid: *The poorest families pay no grocery tax because their food stamp purchases are tax exempt.*

Tax-free *adj* tax-free earnings, investments, etc. are ones on which no tax has to be paid: *If investors fail to move the money within six months of the plan maturing, it loses its tax-free status.*

Collocations:

- **tax-free benefits/ bonus/ income;**
- **tax-free bonds/ investments/ savings.**

Tax-free *adv:* *The “free zone” status allows owners to repatriate 100% of their earnings tax-free.*

Tax haven *n* [C] a place where people live or invest money so as to pay less tax than they would in other countries: *The company is switching its operations to the offshore tax haven of the Dutch Antilles.*

Duty-free zone *n* [C] an area where goods can be imported or exported without having to pay the tax that would normally be charged: *Almost all the successful duty-free zones around the world have been sited within an hour’s drive of a major city.*

Tax holiday *n* [C] a period when people or companies do not have to pay any tax or not as much tax as usual on goods, services, or profits: *The country has said it is reviewing the five-year tax holidays that many foreign firms currently enjoy.*

Inspector of taxes *n* [C] in the UK, a person whose job is to make sure that people and organisations pay the correct amount of tax by a certain time: *Any income from the property should be declared to the inspector of taxes and will be liable to tax.*

Tax loss *n* [C] a situation in which a company or investment loses money in a particular period, so there is no tax to pay on it, and in some cases tax paid on profits in previous periods can be got back: *If you make an investment that creates a tax loss, you can then use this loss to reclaim income tax paid previously.*

Tax relief *n* [U] a reduction in the amount of tax that has to be paid; tax relief on sth: *Companies can claim tax relief on donations to charity.*

Collocations:

- **mortgage/ income/ property tax relief:** *In the interests of housing market stability, mortgage tax relief would be cut to 10%;*
- **to qualify/ be eligible for tax relief:** *Investors are eligible for 20% tax relief provided they do not touch their investments for 5 years.*

Tax return *n* [C] a document in which income is reported each year so that income tax can be calculated; **corporate/ personal tax return:** *You need to file a tax return each year.*

Tax shelter *n* [C] a way of investing or spending money that allows a person or a company to avoid tax or to pay less tax than they would normally: *Some high-earners managed to avoid income tax by moving their income into various tax shelters.*

Tax-sheltered *adj:* *Make full use of any tax-sheltered retirement accounts offered by your company.*

3.3.2. Balance

Balance *n* 1 the difference in the amount of money that has come into and gone out of a bank account in a particular period: *Virtually all financial records - bank balances, mutual fund, and brokerage records - are held in electronic form.*

2 the amount shown in a company's financial records that is the difference between the total credits and the total debits in a particular account: *This balance is then transferred to the profit and loss account.*

3 the amount of money that you still owe after you have paid a part of the total amount: *Cut your outstanding mortgage balance and your monthly repayments will also come down.*

4 the amount of money that you owe on a credit card account: *He is one of millions of people who does not pay off his credit card balance every month.*

Account balance *n* [C] an amount of money someone has in a bank account: *If the account balance falls below €3,000 the interest rate drops to 1% a year.*

Credit balance *n* [C] an amount of money you have in a bank account: *There are no charges to pay provided you maintain an average monthly credit balance of over €1,000 in your current account.*

Debit balance *n* [C] an amount of money in a bank account, which is less than zero because more money was taken out of it than the total amount that was paid into it: *Customers should consider transferring the debit balance to a credit card with a special rate for debt transfers.*

Trial balance *n* [C, usually singular] in double-entry bookkeeping, the act of adding the credit and debit columns of all accounts to check that they are equal in order to show that the accounts are correct: *The trial balance will fail to balance if both aspects of a transaction are not recorded.*

Balance of payments *n* [singular] the difference between the amount of money a country receives from exports, foreign trade and the amount it spends on imports from other countries: *A healthy balance of payments and huge foreign-exchange reserves will allow most Asian countries to finance expensive oil imports for a long time.*

Balance of trade *n* [singular] also **trade balance**, **visible balance** the difference between the money that a country receives from exports and the money it spends on imports: *Official figures yesterday showed the balance of trade in goods plunged to a record deficit.*

Balance sheet *n* [C] a financial statement that shows a company's assets and debts at a particular time

Collocations: **healthy/ strong/ weak balance sheet:** *He points out that the company has the strongest balance sheet among all the farm-machinery giants.*

Off-balance-sheet *adj* [before noun] used to describe assets or debts that a company does not need to show on its balance sheet: *The company had \$4 billion in off-balance-sheet debt that was hidden from investors.*

Goodwill *n* 1 [U] the value to a company or organisation of things that cannot be directly measured, for example, its good reputation or its customers' loyalty: *Charitable endeavours are important to us in terms of goodwill.*

2 the difference between the value of a company's assets and what profit it is expected to make in the future, which is included in the price paid when it is bought or sold: *We expect the business to raise at least \$100,000 in goodwill.*

Goodwill payment *n* [C] a payment made by a company to a customer who has experienced a problem with its products in order to try to keep the customer: *Although the insurance firm refused to pay her claim, they did offer her a goodwill payment of €5,000.*

3.3.3. Depreciation

Depreciation *n* 1 [U] the amount by which something, such as a piece of equipment, is reduced in value in a company's financial accounts, over the period of time it has been in use. The loss in value reduces a company's profits, and the amount of tax it must pay: *Expenses include depreciation of equipment as well as business insurance.*

2 the practice of spreading the cost of capital expenditure over several years, especially in order to improve cash flow

3 the amount by which a currency loses value in comparison with other currencies: *The depreciation of the dollar affected the British economy.*

4 a loss of value, especially over time: *After three years, this car is projected to be worth 57% of its price when new - one of the lowest rates of depreciation of any car in any class. The insurance guarantees that the goods will be replaced at their present market value, without any deduction for depreciation.*

Accelerated depreciation *n* [U] a method by which a company reduces an asset's value in its accounts by more in the early years of its life than in later years: *Accelerated depreciation allows a business to claim tax deductions on an asset now rather than later.*

Accumulated depreciation *n* [U] the reduction in the value of an asset such as a machine or vehicle since it was bought: *Property, plant, and equipment are stated at cost less accumulated depreciation.*

Depreciation account n [C] a financial record where the amount of depreciation on an asset is recorded

Depreciation allowance n [C] the amount, based on the depreciation of assets, that a business can reduce its profit by when taxes are calculated: *The bill will change the depreciation allowance that businesses can claim on equipment purchases when filing their federal income taxes.*

Depreciation fund n [C] an amount of money that a company has available to buy new assets. It comes from the investment of a sum equal to the depreciation allowance for its existing assets: *The director maintains a depreciation fund for the purchase of replacement vehicles and additions to the fleet.*

Depreciation method n [C] any one of several methods that are used to decide by how much the value of assets should be reduced over a period of time: *The depreciation method you would use depends on the type of property.*

Depreciation rate n [C] the rate at which the value of an asset is reduced each year: *Changes to the tax rules will see new depreciation rates that better reflect how assets decline in value.*

Check Tests on Accounting

Check Test 8 (covering "Introducing Accounting")

A. Fill in the missing words in the sentences below. Choose from the box. You will need to use each word more than once. The first sentence is given.

account	accounts
accountant	accounting
accountancy	

1. Can you check that the figures have been entered correctly in the bank account?
2. He's at university studying _____ .
3. The management of the company have not yet decided on their _____ policies.
4. A bookkeeper writes details of financial transactions in the _____ .
5. Most people in the profession read _____ magazines and journals in order to stay informed.
6. She's been working as an _____ with this firm for several years now.
7. The directors of the company approve the _____ at the end of the _____ year.
8. The chief _____ has completed the draft _____ for this year.
9. Each branch maintains its own full _____ system.
10. They have opened an _____ for the consignment to Bombay.
11. _____ is really not an exact science.
12. A business manager needs some _____ knowledge in order to understand what he reads in the company _____ .

B. Complete the following words

1. This company has supplied goods but has not received any money for them yet.	<u>C</u> <u>R</u> <u>E</u> <u>D</u> <u>I</u> <u>T</u> <u>O</u> <u>R</u>
2. Companies make this when they sell their goods for more than it costs them to make them.	P _ _ _ _ T
3. Companies make this when they sell their goods for less than it costs them to make them.	L _ _ S
4. Goods which are bought by the company.	P _ _ _ _ _ E S
5. Goods which the company has available to sell.	S _ _ _ K
6. An amount of money which is taken out of an account.	W _ _ _ D _ _ _ _ L
7. Customers who have received goods but not paid for them yet.	D _ _ _ _ R S
8. A reduction in the price which is offered to customers.	D _ _ C _ _ _ T
9. This is the name of the difference between the credit and debit sides of an account.	B _ _ _ _ _ E
10. This is drawn up to check that the two sides of the accounts are the same.	T _ _ _ L B _ _ _ _ _ E
11. The cost of transporting goods is called this.	C _ _ _ _ _ G E
12. The official books for keeping accounts.	L _ D _ _ _ S

Check Test 9
(covering “Fundamentals of Financial Accounting”
and “Financial Statements”)

A. Match each definition on the right with a term from the box.
 Write the term beside each definition.

capital gains tax corporation tax creative accounting excise duty
~~income tax~~ loophole money laundering progressive tax tax shelter
 value added tax tax deductible tax evasion tax haven tax loss

1. <u>income tax</u>	People pay this tax on the money they earn.
2. _____	Companies pay this tax on their profits.
3. _____	Profits from the sale of assets may be subject to this tax.
4. _____	Government tax on things such as cigarettes, alcohol and petrol.
5. _____	This kind of tax means that the more money you earn, the higher the rate of tax you have to pay.
6. _____	A clever but still legal way of reducing the amount of tax to an absolute minimum.
7. _____	A country such as Liechtenstein and the Bahamas where tax is low.
8. _____	A mistake in the law which allows people to avoid paying tax.
9. _____	In the accounts the company is seen to make this is capital expenditure is brought forward to use up profits.
10. _____	In the accounts the company is seen to make this if capital expenditure is brought forward to use up profits.
11. _____	This tax is added to the price of goods and services.
12. _____	Avoiding paying tax by giving false information to the authorities.
13. _____	Investment schemes which allow people to postpone paying tax.
14. _____	Handling money made from illegal activity.

B. Complete the following words

1. This is the name for buildings, machinery, money in the bank and money owned by customers.	<u>A S S E T S</u>
2. The loss of value of the things in number 1.	D _ P _ _ _ _ _ _ _ N
3. Money which is borrowed.	L _ _ _
4. The extra money a company or person pays for borrowing money.	I _ _ _ _ S T
5. The total sum of money which is supplied by the owners of a company to set it up	C _ _ _ T _ _
6. Cash or goods which is supplied by the owners of a company for his own private use.	D _ _ W _ _ _ S
7. These are bought by people wishing to invest in the company.	S _ _ _ S
8. The extra amount which is paid for a company above the value of its assets.	G O O _ _ _ _ _
9. The purchase of another company.	A C Q U _ _ _ _ _ _ _
10. An official examination of the accounts.	A _ _ _ T
11. A financial plan for the future.	B _ _ _ _ T
12. A statement of the financial position of the company.	B _ _ _ _ _ E SHEET

Answer Key

Check Test 8

A

1	account
2	accountancy
3	accounting
4	accounts
5	accountancy
6	accountant
7	accounts, accounting
8	accountant, accounts
9	accounting
10	account
11	accountancy
12	accounting, accounts

B

1	creditor
2	profit
3	loss
4	purchases
5	stock
6	withdrawal
7	debtors
8	discount
9	balance
10	trial balance
11	carriage
12	ledgers

Check Test 9

A

1	income tax
2	corporation tax
3	capital gains tax
4	excise duty
5	progressive tax
6	creative accounting
7	tax haven
8	loophole
9	tax deductible
10	tax loss
11	value added tax
12	tax evasion
13	tax shelter
14	money laundering

B

1	assets
2	depreciation
3	loan
4	interest
5	capital
6	drawings
7	shares
8	goodwill
9	acquisition
10	audit
11	budget
12	balance sheet

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Андрейко Лариса Володимирівна
Бокун Ірина Анатоліївна
Козловська Ганна Борисівна
Ходцева Алла Олександрівна

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Тел./факс: (0542) 65-75-85
E-mail: info@book.sumy.ua

ТОВ «ВТД «Університетська книга»
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E-mail: publish@book.sumy.ua
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